EXEMPTION OF CERTAIN PRODUCTS FROM TARIFF REDUCTIONS NEGOTIATED IN THE MULTILATERAL TRADE NEGOTIATIONS (MTN)

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

H.R. 10853

A BILL TO AMEND THE TRADE ACT OF 1974

JULY 10, 1978

Serial 95–102

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE
32-859 O WASHINGTON : 1978

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EXEMPTION OF CERTAIN PRODUCTS FROM TARIFF REDUCTIONS NEGOTIATED IN THE MULTILATERAL TRADE NEGOTIATIONS (MTN)

MONDAY, JULY 10, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRADE,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The subcommittee met at 9:45 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Charles A. Vanik (chairman of the subcommittee) presiding.

Mr. VANIK. The subcommittee will be in order.

Today we are hearing Government and private sector witnesses on the Holland-Broyhill-Hollings legislation sponsored by 168 Members of the House, almost as many as the Steiger amendment——

Mr. STEIGER. Not quite.

Mr. VANIK [continuing]. To exempt the textile and apparel industries from tariff cuts in the multilateral trade negotiations.

I regret that the schedule of the full committee and other matters before the subcommittee have made it necessary for us to limit this hearing to the short time that is available to us. Therefore we must insist that oral statements be limited to 5 minutes so that everyone who has asked to participate may do so.

We are meeting only a week before the Bonn summit, and the critical date for decisions at the Geneva multilateral negotiations. The subcommittee is very much aware that it would not be in the best interests of the U.S. negotiators to discuss in detail at this time the specific offers and requests of the U.S. Government in textiles and apparel, particularly in view of the fact that some of our major trading partners have been less forthcoming than necessary for the successful conclusion of the Tokyo round of negotiations. Therefore, we will understand the inability of Government witnesses to discuss publicly certain details.

The field hearings of the multifiber task force chaired by my colleague, Representative Ken Holland, from Jefferson, Ga., and to Lancaster, S.C., with another field hearing scheduled for Fall River, Mass., on July 24, have enabled us to make a number of useful suggestions for improved administration of the MFA and its bilateral program. I hope that this oversight work will be continued throughout the year.

Personally, before starting, I would like to observe that as chairman of the subcommittee, I have participated with the Holland task force in obtaining a clearer perspective and understanding of the MFA and its administration. Given the MFA attempts to develop a system of bilateral agreements which the subcommittee has been monitoring, it may be that the pending legislation may be very strong medicine. For example, I am troubled by the fact that we are a net exporter of many textile products, and that in the past 4 years our balance-of-trade surplus in textiles has been $735 million. I hope that in discussing the legislation before us, today's witnesses can address themselves to the question of why a blanket exemption is needed when we are quite successful exporters in a number of textile areas.

Also, the task force has addressed several letters to Mr. Smith and to Mr. Shepherd, and we hope that we will have answers to our inquiries.

[The following responses were subsequently received:]

U.S. DEPARTMENT OF COMMERCE,
Washington, D.C., June 22, 1978.

Hon. KENNETH L. HOLLAND,
House of Representatives,
Washington, D.C.

DEAR MR. HOLLAND: This is in further reply to your April 13 letter in which you raised several questions bearing on Administrative textile policy.

MISLABELED IMPORTS OF EUROPEAN SUITS

We are very concerned with the transshipment of Eastern European textile products through France or other European nations to the United States. The Customs Service has initiated a procedure in which imports of wearing apparel from certain countries suspected to be frequent diversion points will be closely monitored using identification techniques developed during past investigations. The Division of Fraud Investigations of the Customs Service welcomes specific allegations of mislabeling or any other fraudulent trade practices which might aid in these investigations.

Under French law, imported merchandise must undergo substantial transformation before it can be labeled "Made in France." Mislabeling is subject to penalty. Similarly, under U.S. rules of origin, relabeling is not sufficient to change a product's origin for Customs purposes and penalties in excess of the value of the import may be imposed where fraudulent intent can be demonstrated.

The difficulty lies in identifying mislabeled items. In response to repeated complaints that U.S. apparel imports were mislabeled, during the past decade the U.S. Customs Service has held numerous investigations in Eastern and Western Europe. Although several of these investigations have uncovered mislabeling and have resulted in the collection of penalties and additional duties, many investigations have revealed no improper activity.

As you suggested, it would be helpful if additional documentation on low-priced apparel imports were required. However, such a requirement could be construed as a discriminatory nontariff barrier which could undermine our efforts both bilaterally and in the Multilateral Trade Negotiations (MTN) to limit the spread of special licensing and certification schemes.

DEPRECIATION

In response to your interest in international comparisons of depreciation rates, Treasury commends the comprehensive study of George Kopits published by the Organization for Economic Cooperation and Development (OECD) in 1975, entitled *International Comparison of Tax Depreciation Practices.* I have enclosed (Enclosure A) several of the summary tables from that work. As noted in the summary statement accompanying these tables, the OECD analysis ". . . indicates that the United States has an advantage over the other 21 countries listed from the standpoint that the U.S. firms have a greater number of alternative tax depreciation practices available to them. What is not indicated, however, are the quantitative values of the tax depreciation practices, e.g., tax rates, number of years involved, etc. Therefore, it is not possible to analyze or compare the true impact of the tax depreciation practices."

GOVERNMENT REGULATION

The U.S. textile industry has been expressing increasing concern over the impact of U.S. Government regulatory actions on the domestic textile industry. The industry fears that the cumulative cost of complying with the various standards will force many firms out of business, and for those firms which can raise the money to meet compliance requirements, the increased costs will have a serious negative effect on the competitiveness of U.S. textile mill products in the United States and world markets.

The Office of Textiles in the Bureau of Domestic Business Development has recently initiated a major study to assess the cumulative economic impact on the textile industry of the Government's existing and proposed safety, health, and environmental controls. The initial part of the study, dealing with the cotton dust and noise standards proposed by the Occupational Safety and Health Administration (OSHA), will be completed in the near future. The impact of environmental control, consumer oriented requirements, toxic substance control standards, and energy conservation guidelines will be concluded later. Jan Archibald of the Committee of Ways and Means' Subcommittee on Trade, has been briefed by members of the Office of Textiles on this project.

You also asked for a written statement concerning the various textile and apparel industry trade adjustment assistance proposals currently being discussed. Enclosure B is the statement you requested.

Mike Smith and I look forward to conveying in a future letter our position concerning a MTN snapback regarding the MFA and the situation concerning textile imports from the People's Republic of China.

Sincerely,

ROBERT E. SHEPHERD,
Deputy Assistant Secretary for Domestic Business Development.

Enclosures.

ENCLOSURE A

TABLE 2. SUMMARY OF TAX DEPRECIATION PRACTICES: EQUIPMENT

Analysis of Table 2, Summary of Tax Depreciation Practices: Equipment, indicates that the United States has an advantage over the other 21 countries listed from the stand point that U.S. firms have a greater number of alternative tax depreciation practices available to them. What is not indicated, however, are the quantitative values of the tax depreciation practices, e.g., tax rates, number of years involved, etc. Therefore, it is not possible to analyze or compare the true impact of the tax depreciation practices.

The attached tables indicate that the United States has more alternative tax depreciation practices than any other country listed. Further, the United States has at least as many alternative practices as any other country in each of the major categories of tax depreciation practices except for Spain in the Special Allowances Category.

Eighteen of the 28 tax depreciation practices listed are applicable/frequently practiced in the United States. Of the 10 practices not applicable/frequently practiced in the United States, four are applicable/frequently practiced in 11, 7, 6, and 2 countries, respectively; four are applicable/frequently practiced in three countries, and two are applicable/frequently practiced in one country.

Table 2

SUMMARY OF TAX DEPRECIATION PRACTICES: EQUIPMENT(1)

Country	Normal Allowances						Special Allowances					Valuation of Asset												Other Provisions			Tax on Gain from Sale	
												Base		Critical Event					First Year Convention									
	Straight Line	Declining Balance	Facts and Circumstances	Other	Useful Life	Switchover	Accelerated Dep.	Additional Deduction	Tax Credit	Cash Grant	Tax-Free Reserve	Includes Taxes	Includes Installation	Contract 3/	Delivery	Acquisition	Payment	Use	One Half-Year	Three-Fourths Year	Full Year	Following Year	Salvage	Longer Life	Obsolescence	Multiple Shifts	As Ordinary Income	Preferred Rate
Australia	x	■	x		x		x	■				x	x					x	x					x	x	x	x	4/
Austria	■				x		■	41/			x	x	x					x	x				42/	x	x	x	x	
Belgium	■	x	x			x	x					21/	21/	x							x			24/	x	x	x	5/
Canada	x	■					x	x				x	x			x					x						x	6/
Denmark		■					x			x	x	x	x		x					x								
Finland		■					x	x			x	x	x								x				x		x	10/
France	x	x			x	40/	11/		12/			37/	x			45/		45/	x						35/	x	x	11/
Germany	x	x			x	x	x	x		x		x	x		x					x						x	x	
Greece	■						■					x	x					x	x				x		x	x	x	14/
Ireland	x	■		x	x		16/	17/		x		x	x					x				x				x	x	13/
Italy	■						■			x		x	x					x	x				NR	NR	NR	x	x	
Japan	x	■			x	2/	■					x	x					x	x				x		x	x	x	
Luxembourg	x	x			x	x	x	x	■			x	x			x				x			x		x	x	x	
Netherlands	■	x			x			x				x	x					x	x				x	x	x	x	x	20/
Norway	■						x	x			x	x	x					x	x					x	x	x	x	
Portugal	■		2/	2/	x		x		x		x	x	x					x			x		42/		x	■		x
Spain	■	x			x		x		22/	x	x	x	NR					x	x					x	x	x	x	21/
Sweden	x	■		x		x	x	24/			x	x	x		x						x				x	x	x	
Switzerland	x	■					x				x	x	21/					x	NR						x	x	x	
Turkey	x	x			x	NR		■				x	x				x				x				x	x	x	
United Kingdom	27/	■					■			25/		x	x				x				x						x	25/
United States	x	■	x		x	x	x		■		x	x	x					x	x				x	x	x	x	x	26/

x = Applicable

■ = Frequent practice, applies in at least 40 per cent of all cases

NR = Not reported

(See footnotes at the end of Table 3)

TAX DEPRECIATION PRACTICES: EQUIPMENT NUMBER APPLICABLE/FREQUENTLY PRACTICED BY COUNTRY

Number of alternative practices	7	4	12	3	2	28
Country	Normal allowance	Special allowances	Valuation of asset	Other provisions	Tax on gain from sale	Total
Australia	5	1	4	3	2	15
Austria	3	2	5	3	1	14
Belgium	5		4	3	2	14
Canada	3	1	4		2	10
Denmark	2	2	4			8
Finland	2	2	4	1	2	11
France	5	1	5	2	2	15
Germany	5	2	4	1	1	13
Greece	2		5	2	2	11
Ireland	5	2	4	1	2	14
Italy	2	1	4	1	1	9
Japan	5		5	2	1	13
Luxembourg	5	2	5	2	1	15
Netherlands	3	1	5	3	2	14
Norway	2	2	4	3	1	12
Portugal	5	2	5	2	1	15
Spain	4	3	3	3	2	15
Sweden	5	2	4	2	1	14
Switzerland	3	1	3	2	1	10
Turkey	3	1	4	2	1	11
United Kingdom	3	1	4		2	10
United States	6	2	5	3	2	18
Total	83	31	94	41	32	281
Average number of practices for countries having practice	3.8	1.6	4.3	2.2	1.5	12.8

Tax depreciation practices: equipment—countries where practice is applicable or frequently practiced

Normal allowances:	
Straight line	[1]20
Declining balance	[1]17
Facts and circumstances	[1]4
Other	3
Useful life	[1]12
Switchover	[1]7
Accelerated depreciation	[1]20
Special allowances:	
Additional reduction	11
Tax credit	[1]5
Cash grant	6
Tax-free reserve	[1]9
Valuation of asset:	
Base:	
Include taxes	[1]22
Includes installation	[1]21
Critical event:	
Contract	1
Delivery	3
Acquisition	3
Payment	2
Use	[1]14
First year convention:	
One half-year	[1]10
Three-fourths year	3
Full year	7
Following year	1
Salvage	[1]7

Tax depreciation practices: equipment—countries where practice is applicable or frequently practiced—Continued

Other provisions:	
Longer life	[1]7
Obsolescence	[1]16
Multiple shifts	[1]18
Tax on gain from sale:	
As ordinary income	[1]20
Preferred rate	[1]12

[1] Includes United States.

TABLE 6. MEDIAN PRESENT VALUE OF DEPRECIATION ALLOWANCES, BY COUNTRY AND BY ASSET GROUP

The median present value of depreciation allowances for the United States is less than the arithmetic mean of the median present value for 22 countries listed in each of the 13 asset groups listed except three—all buildings and equipment groups, building and office and construction.

The median present value of depreciation allowances for textile equipment for the United States ranks 18th among the countries listed. The United Kingdom has the highest median present value of depreciation allowances for textile equipment for the 22 countries listed and is 36 percent greater than that of the United States. The attached table summarizes the relative position of the United States for textile equipment.

MEDIAN PRESENT VALUE OF DEPRECIATION ALLOWANCES—TEXTILE EQUIPMENT

Rank [1] and country	Median present value [2]	Precent greater than United States
1—United Kingdom	0.8571	36
2—Ireland	.8264	31
3—Austria	.8184	30
4—Turkey	.7915	26
5—Sweden	.7890	25
6—Italy	.7737	23
7—Greece	.7727	23
8—Japan	.7705	22
9—France	.7514	19
10—Finland	.7499	19
11—Denmark	.7329	16
12—Belgium	.7275	15
All countries, mean [3]	.7166	14
13—Germany	.6974	11
14—Luxembourg	.6974	11
15—Switzerland	.6815	8
16—Canada	.6666	6
17—Norway	.6366	1
18—United States	.6302	
19—Portugal	.6145	[4]3
20—Australia	.6064	[4]4
21—Netherland	.5864	[4]7
22—Spain	.5864	[4]7

[1] Ranked from highest to lowest median present value of depreciation allowance for textile equipment.
[2] Median present value of tax depreciation allowance generated by $1 expenditure on textile equipment.
[3] Arithmetic mean of the median present value of each country for textile equipment.
[4] Percent less than United States.

Table [illegible]

MEDIAN PRESENT VALUE OF DEPRECIATION ALLOWANCES(1), BY COUNTRY AND BY ASSET GROUP

Country	Buildings	Equipment Groups(3)											
	All	Agriculture	Building and Office	Construction	Food and Related	Chemicals	Petroleum Refining	Iron and Steel	Metal Working	Textiles	Pulp and Paper	Transportation	Utilities
All Countries, Mean(2)	0.3351	0.7456	0.6775	0.7582	0.7102	0.7033	0.6003	0.594[illegible]	0.7034	0.7165	0.6945	0.7098	0.6247
Australia	0.0000	0.7055	0.4675	0.6739	0.7451	0.5066	0.7101	[illegible]	0.5293	0.6064	0.5932	0.6652	0.4246
Austria	0.4129	[illegible]	0.7920	0.4560	0.7713	0.7700	0.7931	0.7520	0.7006	0.4104	0.7706	0.8751	0.7293
Belgium	0.2975	0.7582	0.7275	0.7582	0.7305	0.7275	0.7275	0.5567	0.7305	0.7275	0.7036	0.7154	0.7275
Canada	0.3333	0.7092	0.6666	0.7092	0.6565	0.6666	0.6666	0.6666	0.6665	0.5666	0.6565	0.6555	0.3750
Denmark	0.4345	0.7329	0.7329	0.7329	0.7329	0.7329	0.4345	0.7329	0.7329	0.7329	0.7329	0.7329	0.7329
Finland	0.4737	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499	0.7499
France	0.4056	0.7791	0.6440	0.7791	0.7514	0.7372	0.7416	0.7015	0.7015	0.7514	0.7445	0.7450	0.7109
Germany	0.1894	0.6947	0.6911	0.7475	0.6947	0.6947	0.6016	0.6271	0.6774	0.6774	(4)	0.5749	0.5525
Greece	0.4322	0.7936	0.6598	0.7727	0.7727	0.7727	0.7442	0.7727	0.7727	0.7727	0.7727	0.6291	0.6291
Ireland	0.3458	0.8264	0.8264	0.8264	0.8264	0.8264	0.8264	0.8264	0.8264	0.8264	0.8264	0.6495	0.8264
Italy	0.6090	0.8102	0.7604	0.7992	0.7839	0.7737	0.8021	0.7512	0.7993	0.7737	0.7926	0.7872	0.7259
Japan	0.2971	0.8053	0.6602	0.7864	0.7243	0.7317	0.7542	0.6602	0.6968	0.7705	0.7722	0.7146	0.6502
Luxembourg	0.1464	0.6947	0.6947	0.7745	0.6939	0.6549	(4)	0.6357	0.6976	0.6774	(4)	0.7131	(4)
Netherlands	0.4153	0.5477	0.5964	0.7430	0.5964	0.5964	0.5964	0.5964	0.5964	0.5954	0.5664	0.5964	0.4064
Norway	0.2335	0.6115	0.4692	0.6084	0.6055	0.5122	0.4774	0.4774	0.5151	0.6355	0.5075	0.6355	0.4774
Portugal	0.1993	0.7262	0.6145	0.7110	0.6145	0.6815	0.6957	0.6669	0.6669	0.6145	0.5506	0.6551	0.6145
Spain	0.2745	0.6072	0.5592	0.6739	0.5956	0.6072	0.5464	0.4560	0.6072	0.5464	0.5592	0.5716	0.5319
Sweden	0.3425	0.7890	0.7890	0.7890	0.7890	0.7890	0.7890	0.7890	0.7890	0.7490	0.7093	0.7493	0.7090
Switzerland	0.2205	0.5739	0.6052	0.7159	0.6815	0.7159	0.5739	0.6815	0.6815	0.6815	0.6277	0.7153	0.5739
Turkey	0.3776	0.8474	0.6922	0.8194	0.6656	0.7546	0.6000	0.7177	0.7915	0.7915	0.7625	0.8257	0.6000
United Kingdom	0.5972	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571	0.8571
United States	0.3451	0.7095	0.7095	0.7828	0.6302	0.5758	0.5622	0.5335	0.6302	0.6302	0.5622	0.6384	0.4265

1) Median present value of tax depreciation allowances generated by one dollar expenditure on asset types listed in the Tax Depreciation Survey (Appendix B).

2) Arithmetic mean of the median present value of each country, for each asset group.

3) Defined in terms of the activity for which equipment is used.

4) Not reported.

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Enclosure B—Trade Adjustment Assistance

The following trade adjustment assistance proposals are under discussion.

ATLANTIC APPAREL ASSOCIATION

Based in Pottsville, Pennsylvania, the association is made up of 420 members who are apparel contractors, largely sewing sportswear and dresses for other companies who provide the designs and fabrics—already cut. Original request was to discuss forming a cooperative association, which could be certified as being trade impacted. After some discussions, it was suggested that the association staff be supplemented to provide assistance to members in getting certified, preparing adjustment plans, and qualifying for further technical and/or financial assistance.

AMERICAN WEST OVERSEAS ASSOCIATION

EDA has approved a technical assistance request for $50,000 to encourage, promote, and stimulate export demand for products and services of the association. The association members produce western apparel, riding equipment, and native American crafts.

MEN'S TAILORED CLOTHING INDUSTRY

The Amalgamated Clothing and Textile Workers Union, and the Clothing Manufacturers Association are developing a "self help" program for the men's tailored clothing industry. The program, which calls for Government support of certain key elements, is designed to maintain a viable men's tailored clothing industry. One element of this program, CETA training from the Department of Labor, is well underway and a specific proposal to Commerce is expected shortly.

NEW ENGLAND APPAREL MANUFACTURERS ASSOCIATION, INC.

The New England Apparel Manufacturers Association, Inc. has 45 member firms employing approximately 5,000 workers. The member firms are located in Southeastern Massachusetts (Fall River, New Bedford, and Taunton) and Rhode Island, and represents about 50 percent of the apparel manufacturers in Southeastern Massachusetts and Rhode Island.

The original proposal requested $40,000 in EDA technical assistance support to supplement the association's staff and retain consultants and equipment utilization. This was modified to ask for a diagnostic overview of the major problems of the members, at a cost NTE $10,000. This proposal is being processed for approval.

REVITALIZATION COUNCIL OF PHILADELPHIA (RCP)

The RCP has proposed a planning grant for modern apparel firms to be located in Philadelphia which will serve to demonstrate new modern technology, plant layout, and management techniques that may make apparel firms successful competitors with foreign imports. The concept behind the proposal is that many of the firms are not using modern technologies and even more important have not integrated them into an overall system under dynamic leadership. The staff of the RCP has a strong background in such integration and planning, and has located industrial sites which would be suitable for such demonstration facilities.

PHILADELPHIA COLLEGE OF TEXTILES AND SCIENCE (PCT&S)

PCT&S has put forth three proposals. Two of these proposals deal with the improvements in existing technologies utilized in the apparel industry. The third proposal deals with an institutional innovation.

One of the technical proposals is the development of a standard system for the pretreatment and analysis of fabrics in the manufacturing process. Many of the current problems that manufacturers have in obtaining quality apparel, as well as in choosing the best manufacturing sequences and techniques, is that they do not understand and/or adapt manufacturing to the specific characteristics of textiles.

The second proposal of the PCT&S concerns the use of fused interlinings in tailored apparel items. At present, many of these interlinings cause difficulties after the first drycleaning (i.e., unsightly bubbling and wrinkling in the piece of apparel). PCT&S believes that the cause of these difficulties is that interlining material and fusing techniques are not suitable for the particular textiles and structure of the apparel to which they are applied.

The final proposal of the College is for the development of an apparel training, technology management development, and testing center for the apparel industry.

This would be located on the grounds of PCT&S, managed by an industry board, and staffed by college and industry officials.

SUBCOMMITTEE ON TRADE,
HOUSE WAYS AND MEANS COMMITTEE,
Washington, D.C., May 19, 1978.

Mr. ROBERT E. SHEPHERD,
Deputy Assistant Secretary for Domestic Business Development,
Department of Commerce, Washington, D.C.

DEAR BOB: As you know, the Multifiber Task Force of the Subcommittee on Trade has now held two field hearings, and it is possible that we will soon be scheduling another field hearing or Washington area hearing, perhaps as early as the week of June 5th.

At that time, we would like to invite the participation of yourself or other appropriate members of CITA to discuss some of the issues raised at our two field hearings. We are enclosing for your use, therfore a transcript of the May 5th hearing in Lancaster, South Carolina.

We would like to call your attention to certain specific statements in the transcript and indicate our concern about these issues or request comments from you or other members of CITA on these points.

1. On page 31, Mr. Wilbur Daniels of the ILGWU discusses the need for additional bilaterals with countries such as Peru, the Dominican Republic, Barbados, Belize, Costa Rico, and El Salvador. On page 42, Mr. Art Gundersheim of the ACW discusses the difficulties you have encountered in obtaining the wool suit bilateral with Yugoslavia and the delays in obtaining a bilateral with Chile. Throughout the transcript, the witnesses, almost without exception, speak to the need for an early bilateral with the People's Republic of China, an issue on which we have written to you and which we hope you will be prepared to discuss at length at the up-coming hearing.

(a) What is the status of the negotiations with Yugoslavia?

(b) When will a wool suit bilateral be concluded with Chile?

(c) Would you comment on the need for bilaterals with the countries listed by Mr. Daniels?

(d) Would you comment on the possibility of establishing and publicizing criteria for the point at which the U.S. will either seek bilaterals or invoke unilateral action? The present system of approaching each nation at a different point of export level may needlessly cause foreign policy problems. If it were known, however, that the U.S. would demand bilaterals at a point(s), certain foreign nations would feel that the system was based on economics rather than political jockeying.

2. On page 32, the ILGWU testified that technological innovation has not played "a very significant role in employment declines" (see also page 48). Would you comment on this issue? What has been the productivity of the apparel industry? Of the textile mill products industry?

3. On page 35, the union representatives reject the contention that the decline in the value of the dollar will be of assistance to the domestic industry. Does the CITA group have any information on this subject.

4. A number of witnesses urged that the domestic industry be better consulted on the consultations process with foreign suppliers (see pages 35, 99, etc.). Could you please describe for the future hearing record how consultations are presently carried out, what advice is sought from domestic industry sources, and whether a more formalized process could be developed for consulting with domestic labor, industry, importers, and consumers?

5. The union representatives testified that despite (or because of) the recent ITC investigation and decision on workglove imports, the level of glove imports was increasing dramatically. Could you please provide for us statistics comparing the quantity and value of workglove imports by country of origin for the first four months of 1978 compared to the first four months of 1977?

6. In response to a question on increased employment during 1977/78, the union representatives pointed to decreased manhours worked (p. 49). Could you please provide us with statistics on this point?

7. Could you please comment on the discussion of European wage rates v. U.S. wage rates on page 51?

8. Could you please comment on the overhand issue (with the possibility of a 40% increase in imports in 1978) raised on page 77 and 78? We have found that the issue of carryovers and carrybacks along with the fear of sudden growths in import levels

due to a change from unused quota levels in one year to full use of the quota in another year is one of the major causes of concern and complaint about the MFA and bilateral systems. We would appreciate having your thoughts on ways in which future bilaterals could be negotiated which would provide, in addition to the carryover/carryback provisions, some total limit on the percentage growth from one year to another.

9. What was the percentage growth of domestic apparel consumption between 1976 and 1977? Between April 1977 and April 1978?

10. Do foreign bilateral negotiations include members of that foreign country's textile industry? Are their industry representatives allowed to attend the bilateral conferences? (See c. p. 111.)

11. Does CITA have any studies on the effect of the Kennedy Round tariff cuts on textile and apparel imports? Is it proper to link the Kennedy Round cuts with increased imports (see page 129)?

12. Could you please provide us with a report, by major TSUS numbers, of those textile and apparel categories where the U.S. had a 1977 trade surplus (and how much), and those which were in a trade deficit (and by how much)?

Thank you very much for your assistance in these latest inquiries.

Sincerely yours,

KEN HOLLAND,
Chairman, Task Force.
CHARLES A. VANIK
Chairman.
ED JENKINS,
Member of Congress.
WILLIAM A. STEIGER,
Member of Congress.

Enclosure.

U.S. DEPARTMENT OF COMMERCE,
Washington, D.C.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade,
House Committee on Ways and Means,
Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your May 19 letter which enclosed a copy of the transcript of the Subcommittee's May 5 Lancaster, Pennsylvania field hearing.

Enclosed is a table which compares the quantity and value of cotton glove imports for the first three months of 1978 with the same period in 1977. When we receive import data through April from the Bureau of the Census, I shall provide you with glove import data for the first four months of 1978 as you requested in Item No. 5 of your letter.

We are preparing the other information you requested in your letter, and I will forward it to you as soon as it is ready.

Sincerely,

ROBERT E. SHEPHERD,
Deputy Assistant Secretary for
Domestic Business Development.

Enclosure.

U.S. IMPORTS OF COTTON GLOVES AND MITTENS—QUANTITY AND VALUE

Country	January-March 1977		January-March 1978	
	Thousand	1,000 doz. pr.	Thousands	1,000 doz. pr.
Haiti	$37	63	$39	62
Barbados	117	121	195	155
India	41	19	53	22
Thailand	45	17	231	82
Malaysia			93	83
Philippines	145	90	286	153
Macao	32	13	97	35
China (PRC)	487	269	1,[illegible]	579
Korea	167	79	[illegible]	49
Hong Kong	2,140	828	2,163	739
China (Taiwan)	275	77	516	192
Japan	296	219	796	460
Other	126	57	129	39
Total	3,908	1,852	6,149	2,650

Mr. VANIK. Mr. Holland, do you have any statement that you want to make?

Mr. HOLLAND. Mr. Chairman, I have no formal statement to make at this time. I would, though, on behalf of Mr. Broyhill and the 168 who have cosponsored the legislation under consideration, express our gratitude to Chairman Ullman, Chairman Vanik, to the various members of the subcommittee, to the representatives of labor, the private sector, the textile industry, the apparel industry, and all of the people in this room who are vitally concerned with this matter.

Again, Mr. Chairman, we appreciated the time taken here today and believe this hearing, along with the past hearings and the future scheduled hearing of the task force, will represent such evidence of such value and of such quality as to fully justify this piece of legislation which our distinguished chairman calls "strong medicine."

I believe, Mr. Chairman, that the current state of negotiations in international trade and the current crisis facing the textile and apparel industry, dictate that strong medicine be enacted at this session of Congress.

It is regrettable that this is the case. However, I believe the testimony heard in this room today will be convincing that strong medicine is needed.

Thank you, Mr. Chairman.

Mr. VANIK. Mr. Steiger.

Mr. STEIGER. Mr. Chairman, given the time constraints, I will pass on an opening statement and look forward to listening to the hearings.

Mr. VANIK. Our first witness this morning is our distinguished colleague, Hon. James T. Broyhill, Member from North Carolina.

We are very happy to have you with us.

STATEMENT OF HON. JAMES T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. BROYHILL. Thank you, Mr. Chairman.

I ask unanimous consent that my statement be included in the record in full and that I be permitted to summarize briefly.

Mr. VANIK. Without objection, it is so ordered.

Mr. BROYHILL. Mr. Chairman, I thank the subcommittee for this opportunity to come and to testify on behalf of the bill that I and my colleague, Mr. Holland of South Carolina, have introduced that would provide for the exemption of textile and apparel items from tariff reductions in the so-called Tokyo rounds of trade negotiations which are currently taking place.

Our reasoning is thus, Mr. Chairman, and the statistics and the facts, as Mr. Holland has so ably stated, bear us out, that the United States should not permit any industry to be destroyed as a result of unfair, unequal trade competition.

This is a vital industry, employing close to 2 million people in this country. This industry has already lost hundreds of thousands of jobs in the last decade and is currently losing jobs at a far faster rate. We can anticipate, if the situation continues, that several hundred thousand more jobs will be lost in the next decade unless something is done.

I also point, of course, to the record imports of textile products presently coming in at increasing rates. In fact, in 1977 they reached an all-time high of over 2.6 billion square yards.

Mr. Chairman, I could cite a lot of statistics and so forth, but I would like to look for just about 1 minute here at the cost in human terms. In the small town of Cramerton in Gaston County, located in the 10th Congressional District in North Carolina, a major industry announced in January that it would close down its third plant in this town. And not only did this plant closing result in the loss of approximately 800 jobs, but this, as I pointed out, was the third mill closing in this town in the last 3 years.

We all know that most of the textile and apparel mills are located in small towns and rural areas. These communities, small communities, depend on this industry for this livelihood, and the people who work in this industry are proud people. They want to work. They want to pay their own way. They don't want to depend upon unemployment compensation or to have to turn to welfare. What they want to do is to pay their own way.

In conclusion, Mr. Chairman, at a time when dissatisfaction and disillusionment in Government continues to increase, it is difficult often to explain to people who work in our textile mills across this great country as to why the Government continues policies that result in the loss of jobs to the profit of foreign countries.

We are not seeking an end to textile imports, Mr. Chairman. That is not the thrust of this bill. Passage of this bill will not result in the end of imports. In fact, they will continue to come in. In fact, I feel this request that we are making, under the circumstances, and considering the situation that we have outlined and will outline in the course of these hearings, is really a moderate course of action. All we are asking is that there be a proper sharing in the marketplace.

The domestic textile industry needs incentive to expand and to improve technologically in order to provide the job opportunities that we need in this country.

In conclusion, I urge in the strongest possible terms that the Congress act in order to remove the textile apparels from the negotiations that are underway in Geneva because it is our conclusion that should there be further tariff reductions, as some have proposed, that it would be disastrous not only to the industry but to the many millions who depend on this great industry.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Hon. James T. Broyhill, a Representative in Congress From the State of North Carolina

Today I appear before this Subcommittee to urge the favorable consideration of the Holland-Broyhill bill which would provide for the exemption of textile and apparel items from tariff reductions in the "Tokyo Round" of the Multilateral Trade Negotiations.

As you know, the textile/apparel/fiber industry is the largest manufacturing employer in the United States. The industry is in deep trouble today, primarily because of the tremendous increase in the number of imports which are coming into this country.

The United States should not allow any industry to be destroyed by unfair trade competition. We are all aware that production costs are much higher in this country, primarily because we pay our employees a much higher wage than is paid in most other countries. In addition, modern equipment designed to protect our employees and the environment adds to the cost of production in the U.S. Therefore, the foreign countries can sell their goods at cheaper rates and this causes unfair competition.

This vital industry has lost over 350,000 job opportunities over the past decade and is currently losing jobs at the rate of at least 20,000 annually. U.S. Department of Labor statistics show that 201,600 textile and apparel workers were unemployed in the first five months of this year. In addition, 156,300 people were working only part-time in textiles and apparel because full-time employment was unavailable. This does not include the number of people who are looking for jobs in the industry.

Textile imports are at record levels. In 1977, they reached an all-time high of 2.6 billion square yards equivalent. On the basis of the performance in the first third of 1978, we are heading for a new record volume of imports of approximately 3.3 billion square yards equivalent. Stated another way textile imports came into this country at an annual rate of nearly $7 billion while our textile exports declined by 11 percent.

I firmly believe that the rising volume of textile imports is a primary cause of inflation. Our overall trade deficit in the first quarter of this year was $12.2 bilion while the textile-apparel trade deficit is now running at an annual rate of $4.4 billion. It increased by 94 percent in the first four months of 1978. It is estimated that the trade deficit adds between one-half and one percent to our domestic inflation rate. This increasing national trade deficit is a major factor behind the loss of confidence in the U.S. dollar.

Mr. Chairman, I could cite more statistics but I would like for us to look at the cost in human terms for a moment. In the small town of Cramerton in Gaston County in the 10th Congressional District of North Carolina, which I represent, Burlington Industries announced in January of this year that it would close its third plant in this town. Not only did this closing result in the loss of approximately 800 jobs, but it was the third mill closing in this one town in the past three years.

As we all know, many textile and apparel mills are located in rural towns. These towns depend on the industry for their livelihood. Many of the employees are not trained for other jobs and two-thirds are women and 19 percent are minorities. There are also large numbers of employees who are just a few years away from retirement. Frequently there are no other job opportunities in the community and because of their age, the unemployed persons do not wish to move. So what happens? They saw unemployment and could later turn to welfare, despite the fact that they do not want to depend on the government for their livelihood. These are proud people who want to work and pay their own way.

Mr. Chairman, in a time when dissatisfaction and disillusionment in government continues to increase, it is difficult to explain to the employees in our textile plants across this great country why their government permits them to lose their jobs at the expense of foreign countries. I emphasize that we are not seeking to end textile imports. We are only asking that they not be allowed to continue to increase. We seek a proper share of the marketplace. Our textile industry needs the incentive to expand and improve technologically. This incentive is certainly not present now. In fact, there are many reasons for the owners to close their plants and this is happening too frequently.

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In conclusion, I urge in the strongest possible terms that the Congress act immediately to remove textiles and apparels from the negotiations currently underway in Geneva. We cannot afford to sit idley by while the major manufacturer in this country is destroyed.

Mr. VANIK. Thank you very much, Mr. Broyhill.

I want to say that when I attended the Holland task force hearings, I was very, very impressed with what I saw. I had an entirely new vision of the industry, and I want to say that I was profoundly impressed. I know these are one-industry communities. The situation is unique in American industrial enterprise that there should be this sort of situation. Without a good viable industry, these communities would be in very dangerous circumstances. It was perfectly visible that the entire community was dependent on the high activity and the continued high utilization, of the textile facilities.

Mr. Holland.

Mr. HOLLAND. Thank you, Mr. Chairman.

Mr. Broyhill, you stated that over in Cramerton, the closing of one industry resulted in the loss in that small community of 800 jobs.

What other job opportunities are in the immediate area for these people to pursue?

Mr. BROYHILL. In that immediate community, of course, there is one additional plant that is still being operated by this particular industry, but this is the problem that we face in rural areas, small town America. When you lose jobs of that magnitude, there are not other jobs to which these people can go. If you are in a large metropolitan area, perhaps a loss of 400, 500, 600 jobs in a particular industry would not have the severe impact that it would have in a small town such as Cramerton, N.C., where there is no other place to go in order to find employment, and it does make a very severe impact not only on the people who are involved, but particularly on the community that depends on this great industry.

Mr. HOLLAND. I am aware of some steel mill closings in Ohio where they lose 4,000 to 5,000 jobs in quite larger cities.

Would you say the economic impact would be about the same, measuring the size of the city, a metropolitan area with 4,000 or 5,000 jobs, and a town like Cramerton with 800 jobs?

Mr. BROYHILL. It was amazing to me to see the impact, and I sympathize very much with the plight of those in the chairman's State when this particular plant was closed. It made the headlines, whereas I know that the gentleman from South Carolina and I can cite plant closings in his and my district alone that would amount to far more than that just in the last year or so. Yet, we did not see the screaming headlines in the Nation's press, and the impact and the cost in human terms is just as great.

I think that this is the point that we want to underline in this series of hearings.

Mr. HOLLAND. Is your State like mine? The property tax on industrial facilities in my State is generally earmarked for educational purposes.

Has the closing of the plant in Cramerton undercut the revenues necessary to operate public educational facilities?

Mr. BROYHILL. Unless, someone can come in, and, of course that property is still on the tax books, but, as you know, in order to generate the revenues, to pay those taxes, you have got to have an ongoing enterprise. It is true that the property taxes do to a great extent finance the education in our State, maybe not to as great an extent as in your State, but a good part of it is going to that great effort. Unless you have a viable economic climate in your area, you are not going to be able to provide the services, such as education that the people are asking for in this day and time.

Mr. HOLLAND. Thank you, Mr. Chairman.

Mr. Broyhill, I appreciate your great interest in this vital problem and look forward to your continued participation as we try to have a beneficial effect on our trade negotiations.

Thank you so much.

Mr. VANIK. Mr. Steiger.

Mr. STEIGER. Mr. Chairman, I will pass on questions.

Jim Broyhill has been exceedingly effective, as has Ken Holland, in making sure that all of us were aware of their concerns. The textile task force has done an exceedingly good job in raising the consciousness of all of us as to what the problem is.

You are right on the human problem. The impact of what has happened is every bit as great, if not greater, than steel. It is just not as visible, and it is smaller in terms of smaller towns, and not all at one time. So we very much appreciate your being here.

Thank you.

Mr. VANIK. Mr. Frenzel.

Mr. FRENZEL. Mr. Chairman, I have no questions.

I am sorry I missed the usual excellent testimony of our colleague, Jim Broyhill.

Thank you very much, Jim. We have appreciated your counsel and that of Ken's right along in this matter.

Mr. VANIK. I want to thank you very much, Jim, for your very excellent statement.

Mr. BROYHILL. Thank you very much and I will be consulting with you and I stand ready to assist and help in any way.

Mr. VANIK. I would suggest, if you desire, you might sit with the subcommittee. We would be very happy to have you go through the entire testimony with us this morning as your time permits.

Mr. BROYHILL. Thank you very much.

Mr. VANIK. Mr. William Cohen is not here.

We will move now to Michael Smith, our Chief Textile Negotiator of the Office of the Special Trade Representative. He is accompanied by our almost weekly friend and visitor, John Donaldson, and Bob Shepherd, the Deputy Assistant Secretary for Domestic Business Development in the Department of Commerce.

Mr. Smith, we will be very happy to hear from you. You know the nature of this legislation. Your office has studied it and reviewed it. We would be very much interested in having your comment, both with respect to this legislation and to what you can tell us, on negotiations in Geneva. Give us whatever information you can that would be helpful and constructive to the committee in its consideration of this legislation. We will be very happy to hear from you.

STATEMENT OF MICHAEL SMITH, CHIEF TEXTILE NEGOTIATOR, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ACCOMPANIED BY JOHN DONALDSON, ASSISTANT SPECIAL REPRESENTATIVE, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Mr. SMITH. Thank you, Mr. Chairman.

The administration is strongly opposed to H.R. 10853 for a number of reasons which I will attempt to explain this morning.

It is important, I believe, to review what this and previous administrations have done to assist the U.S. textile and apparel industry to resolve its import problems. In 1961, the Kennedy administration successfully negotiated a short-term arrangement for cotton. In 1962, this was expanded into a long-term arrangement. In 1973, after three renewals of the LTA, the first multifiber textile arrangement was negotiated successfully, largely at U.S. initiative. In 1977, the MFA was renewed, again largely at U.S. initiative. Both the LTA and the MFA are unique. No other American industrial sector has been given such a GATT-approved derrogation from international trading rules, and no other U.S. industry enjoys this form of protection.

Second, we have negotiated under both the LTA and the MFA a wide ranging series of bilateral import restraint agreements with the principal low-cost suppliers. Indeed, more than 75 percent of all our textile and apparel imports are covered by these agreements. No other American industry enjoys such a wide range of import restraint agreements—either now or over the past 16 years. And because of these agreements, since the first all fiber agreements were negotiated in 1971 and 1972, imports from all sources have actually declined. The peak year is not 1977 or 1978 in terms of imports. The peak year was 1972, and annual imports since then have not matched that peak.

Third, on overall terms, our textile and apparel tariffs are the highest among developed countries, and the U.S. textile and apparel industry has the highest tariffs of any American industrial sector.

Hence, Mr. Chairman, our domestic industry now enjovs three levels of protection, either unique in themselves or greater than any other American industry—the MFA, the 18 bilateral agreements and 11 consultation agreements, and high tariffs. In addition, under section 503 of the Trade Act, the industry is not faced with the propsect of cotton, wool, and manmade fiber imports subject to textile agreements being granted duty-free treatment under the U.S. generalized system of preferences (GSP).

A brief comparison between market conditions in the textile and apparel industry, including the terms of import restrictions under the MFA, on the one hand, and market conditions of products granted import relief under section 203, including the terms of that relief, on the other hand, reveal some significant differences. These differences include: Rate of growth in imports; import-to-consumption ratios; trade balances; duration of relief; injury versus threat of market disruption criteria for relief, and product specific versus comprehensive application of relief.

Current items subject to import relief under section 203 include: specialty steel, nonrubber footwear, color televisions, and citizen band radios. For the period 1972-76, the quantity of these imports increased by the following percentages:

	Percent
Specialty steel	35
Nonrubber footwear	13
Color television sets	115
CB radios	2,030

During the same period the quantity of textile and apparel imports decreased by 17.6 percent.

Imports as a percentage of domestic consumption in 1976 of these items are as follows:

	Percent
Specialty steel	18.0
Nonrubber footwear	40.0
Color television sets	36.9
CB radios	89.0

At the same time the ratio of imports to apparent domestic consumption of textiles and apparel is approximately 11 percent.

Mr. Chairman, it is often asserted that textile and apparel imports have increased. As I indicated earlier, this is not so since 1972. Even the American Textile Manufacturers Institute (ATMI) in its estimate for 1978 projects imports in 1978 at lower levels than 1972—6 years ago. It is also often asserted that hundreds of thousands of jobs have been lost by textile imports. Actually, since 1966, employment has declined by only 76,400 and in 1978 has actually increased some 12,000 over 1977. And, the mill sector has enjoyed a surplus balance of trade for the last 4 years.

But one could argue until the cows come home over import figures, and still not convince anyone. What is important is if the Government is responding to the legitimate requests of the industry. The American textile industry has, thanks to the Carter administration, tougher bilaterals than heretofore, a renewed MFA, the offer of only very modest tariff reductions and a commitment to help assure the long-term health and viability of the industry. It is unreasonble for this industry to ask for still further protection, for an exclusion from the multilateral trade negotiations (MTN) which no other U.S. industry sector has.

In comparing textiles and apparel with other mandatory exceptions, it also should be noted that items granted relief under other provisions of the Trade Act can expect that this relief will be temporary, to be used as an aid to adjustment to competition, whereas the textile industry has enjoyed protection for 16 years. The most recently renewed MFA is under study already for another renewal when it expires in 3½ years, and the major bilaterals just renegotiated have 5-year terms beginning January 1, 1978. We expect these bilaterals to continue even after then.

Further, other excepted items have had to show that imports are a substantial cause of serious injury or the threat thereof; the MFA and bilaterals under it are based only on the less onerous test of market disruption or the threat thereof. Finally, the other statutory exceptions are product specific in nature, while H.R. 10853 would exempt an entire industrial sector.

As a result of these significant differences, the administration does not believe that textile and apparel items should be added to the list of mandatory exemptions. We support the view of the drafters of the Trade Act that decisions regarding textile tariffs, as well as other unspecified import-sensitive product tariffs, should be left to the discretion of the President.

I would like to take this opportunity to record our overall strategy in the MTN for tariffs affecting industrial products and show how textile tariffs fit into that strategy. I believe it will indicate that the administration has exercised its discretion reasonably and prudently regarding textile and apparel tariffs.

The strategy behind our initial tariff offer was to force other countries to make equally significant offers and thus begin the negotiation process at a meaningful level. We did this with the full expectation that there would be adjustments downward in our offer if we did not receive reciprocity from our trading partners, which unfortunately to date we have not received. However, if we had not made a meaningful offer to begin with, our chances of gaining increased access for U.S. products in foreign markets would have been made more difficult. An exemption for textiles and apparel could only encourage other countries to take similar action not only on textiles but also on many other items of export interest to us, thus virtually nullifying the chances for a successful MTN.

Had the agreed Swiss formula for initial tariff offers been strictly applied to textiles and apparel, the average tariff for this industry would have been cut by 60 percent. The United States chose not to strictly apply that formula to textiles and apparel. Even under our initial offer, the average textile and apparel duty was reduced 25.5 percent, or less than half the called-for reduction. Assuming a 10-year phasing in of the duty reduction, the average apparel duty would be reduced about one-half a percentage point per year. The average mill product or nonapparel item would be reduced at less than 1 percentage point per year. We are currently involved in the final stages of the negotiations where further downward adjustments in our offer will be made. Due to the confidential nature of the negotiations, as you have noted, Mr. Chairman, I am not at liberty to discuss our contemplated adjustments in public.

Mr. Chairman, the administration has tabled a textile and apparel tariff offer in full awareness of industry's opposition but, equally, in full awareness that a successful MTN will depend on each trading partner's limiting to the absolute minimum the number of industrywide exclusions or exceptions. No other trading partner has refused to put textiles and apparel on the table, and we have good reason to believe that had we refused to place textiles and apparel on the MTN table, the chances for a successful MTN would be enormously complicated.

Further, Mr. Chairman, the textile and apparel offer we did table was extremely modest in comparison with other industrial sectors. Textiles and apparel account for approximately 10 percent of dutiable trade, yet our initial offer in this sector accounted for more than 50 percent of the total exceptions and less than formula cuts for the entire industrial sector. Hence, in order for the United States to meet the overall Swiss guideline on the tariff formula, we had to offer deeper cuts in other industrial sectors to balance out the lower cuts for textiles and apparel.

This bill, if passed, Mr. Chairman, would unleash similar demands from scores of other industries. The chances for a successful MTN conclusion—a negotiation being entered into as a result of the Trade Act passed by Congress—would obviously be seriously jeopardized. Our overriding national interest, as recognized by Congress, is the overall liberalization of international trade—not just the liberalization of trade into the United States but the liberalization of trade from the United States to other lands. We believe that our tariff offer fully balances the specific, legitimate needs of the domestic textile and apparel industry while meeting the overall objectives of the Trade Act.

Mr. Chairman, I thank you for this opportunity and I would be pleased to take your questions.

Mr. VANIK. Before we move to questions, I am going to ask that we might proceed with the testimony of Robert Shepherd. Then we will address our questions to both Government witnesses.

STATEMENT OF ROBERT E. SHEPHERD, DEPUTY ASSISTANT SECRETARY FOR DOMESTIC BUSINESS DEVELOPMENT, DEPARTMENT OF COMMERCE, ACCOMPANIED BY ARTHUR GAREL, DIRECTOR, OFFICE OF TEXTILES, BUREAU OF RESOURCES AND TRADE ASSISTANCE

Mr. SHEPHERD. I am accompanied this morning by Mr. Arthur Garel, Office of Textiles.

Mr. Chairman, the Department of Commerce opposes enactment of H.R. 10853 to amend the Trade Act of 1974.

This bill terminates the President's authority to negotiate tariff concessions on items subject to section 204 of the Agricultural Act of 1956.

We are opposed to this legislation because: It would exclude cotton, wool, and manmade fiber textile and apparel products from MTN consideration for tariff reductions under section 101 of the Trade Act of 1974.

A blanket exception of the industry from the tariff negotiations could result in failure of the MTN.

An exception of this magnitude in the textile and apparel industry would also create an undesirable precedent for other industries.

A major purpose of the Tokyo round is to reduce duties and other barriers which unduly burden or restrict foreign trade. To remove entirely textile and apparel products from consideration would reduce the possibility of obtaining reduction in nontariff measures affecting U.S. exports and the overall amount of tariff reductions applicable to a broader spectrum of U.S. experts.

In accordance with the provisions of sections 131 and 135 of the Trade Act of 1974, the interagency review to determine U.S. offers in the MTN, which included consultations with industry and labor sector advisory committees, permitted interested elements of the industry to submit detailed analyses and recommendations to the Government.

As a result of this review process, the U.S. offer in textile and apparel tariffs has taken into full account the economic problems in that sector, as well as the other measures, which the Government has employed to address those problems. Moreover, as Mr. Smith has already noted, we will, as we continue to review the U.S. tariff offers, make revisions to them, and we will continue to take into account additional information we receive on textile and apparel products.

Thus, in keeping with the spirit and objectives of the Trade Act of 1974, we believe that all MTN tariff exceptions for potentially import-sensitive items should be based on individual merit rather than a blanket exemption. Only through such a process can the interests of all concerned parties, be they industry, agriculture, labor, consumers, or others, be taken into consideration and policies be devised which best serve the overall national interests.

Mr. Chairman, I would be happy to take any questions that you might have at this time, and I do appreciate the opportunity to testify before this subcommittee.

Mr. VANIK. Thank you very much.

I would like to ask, Mr. Smith, which is more important in determining the textile trade—quotas or tariffs? Isn't it true that tariffs are relatively insignificant in determining textile trade?

Mr. SMITH. Mr. Chairman, there are many different views on this as to whether tariffs bite or not, or whether quotas bite or not. Some would argue that if you have quotas, there is no need for tariffs. However, our tariff position is done on an MFN basis, and we do not have quota agreements with all countries which ship textiles to the United States.

Others would argue, Mr. Chairman, that there is no need to reduce textile tariffs, particularly in the textile sector, because the principal suppliers are low-cost suppliers, and that the tariff does not serve as a barrier against them now, but again, since our tariff offer is based on an MFN basis, we do not cover all countries by quota agreements.

Speaking personally, I think the two go hand in hand, but I think the quota program that we have, in terms of restraints from low-cost suppliers, is the stronger of the two elements.

Mr. VANIK. Mr. Smith, on March 9, the subcommittee met with Ambassador McDonald, and we discussed the idea of a snapback provision in our textile and apparel tariff offers and he seemed to be receptive to the idea.

What has happened in this area? Will the United States propose a snapback on tariffs in the event of the end of the MFA or similar agreements, and what would be your reaction to a bill that would provide for a system of snapbacks?

Mr. SMITH. Mr. Chairman, we did condition our initial offer on the 23d of January to the effect that the U.S. offer on textiles is conditioned on the maintenance of an international arrangement regarding trade in textiles, and just before I left Geneva yesterday, we were working on this problem. We recognize that there has to be some sort of conditionality, if you will, on our textile and apparel offer. We are still trying to work out precise language in Geneva as part of the negotiations.

Mr. VANIK. On that snapback issue, we probably don't have so much of a problem during this period, but what happens when the MFA expires?

Mr. SMITH. This is precisely why we want to look at this matter very closely. We understand that the European Community in the Kennedy round conditioned its cuts in cotton textiles on the maintenance of the then-existant LTA. So there are precedents for doing so. We would like to look at the criteria, and we are actively doing this now in Geneva, to come up with a formula, words which have some element of automaticity and at the same time have some element of flexibility.

Mr. VANIK. Why did the bilaterals with Mexico collapse, and what is the administration going to do to insure that the domestic industry is not hurt by uncontrolled trade with Mexico? At what point will we trigger unilateral restraints?

Mr. SMITH. Mr. Chairman, the bilateral negotiations with Mexico broke off because the Mexican position was far apart from positions I felt we could accept, especially in some six or eight categories. We have hopes of resuming those discussions in the late summer, to which the Mexican Government has agreed in principle.

In the interim, we are monitoring closely imports from Mexico. We have been in active discussions with the Mexicans in the last 2 weeks. We have sent formal diplomatic notes to Mexico, and the Mexicans to my knowledge are cooperating in monitoring their exports and are just as aware as we are of the danger of any surges from the present import patterns and surges in their present export patterns to us, which would require us to take unilateral action. We have told the Mexicans that if there are surges from present trade patterns, that we would be forced to take unilateral action.

Mr. VANIK. I have one final question.

The administration has argued that the system of bilaterals makes concern over the tariff negotiations less important. Mr. Vargish of the National Knitted Outerwear Association however, cites the example of the new bilateral with Colombia in which the 1978 textile quota doubles that of 1977, and there is a 7-percent annual increase in the quota thereafter.

In light of this example, it would seem fair for the industry to wonder about relief provided by bilaterals.

Would you care to comment on that situation?

Mr. SMITH. Yes, I would, Mr. Chairman. I am not personally familiar with the Colombian negotiations as I was engaged in another bilateral negotiation at that time. I don't believe that we doubled the quota for Colombian exports during those negotiations. We have been particularly sensitive to the problem of the knitted outerwear industry.

With Korea we have negotiated a standstill in 1978 and very little growth thereafter.

With Taiwan we negotiated a rollback in the manmade fiber sweater trade and a standstill in the manmade fiber knit shirt trade.

We are very much aware of the problems which Mr. Vargish is concerned with, and I think that we have spent an enormous amount of effort to stabilize and, wherever possible, push back the quotas in those particular products.

Mr. VANIK. Thank you very much.

Mr. Holland.

Mr. HOLLAND. Thank you, Mr. Chairman.

Mr. Smith, you stated that this offer laid on the table in Geneva was designed to force our trading partners to take similar action.

Has that approach created any degree of success in our current negotiations? In other words, have our trading partners reacted in kind?

Mr. SMITH. Not to our satisfaction, no, sir.

Mr. HOLLAND. Have they reacted at all?

Mr. SMITH. Yes, they have tabled offers in textiles and apparel.

Mr. HOLLAND. And it is not in your judgment acceptable reciprocity?

Mr. SMITH. At the present moment, sir, no.

Mr. HOLLAND. Do you intend to begin a process of withdrawing these offers?

Mr. SMITH. We have made the statement, sir, that there will be further downward adjustments in our offer.

Mr. HOLLAND. You consistently used 1972 as your base.

Do you reject the notion that the world recession of 1974 may somewhat reduce the credibility of that base that you continue to use?

Mr. SMITH. Sir, I used 1972 because that is the first annual period from which or before which we had a series of multifiber agreements. The big four bilateral multifiber agreements were negotiated in 1971, and so I used 1972 only as a reference period. I am aware of the recession, and the fact that imports declined dramatically in the 2 years thereafter, and that they have gone back up toward a level approaching the 1972 levels, but they still are not at 1972 levels.

Mr. HOLLAND. You stated in your prepared testimony, you set forth certain percentages on page 4. You stated that the quantity of textiles had reduced by 17 percent during the same period.

What about the penetration of the domestic market by these reduced quantities you talk about? How does that calculate over the 6-year period?

Mr. SMITH. I am sorry, I didn't hear the first part of the question, sir.

Mr. HOLLAND. You have a list of percentages set forth here from 1972 to 1976 on quantity of imports, and you used specialty steel, footwear, color television, CB radios. You say during that same period the quantity of textile and apparel decreased by 17.6 percent.

What happened to the penetration of the domestic market during that 6-year period?

Mr. SMITH. To my knowledge, sir, the penetration of the domestic market declined slightly in that time period.

Just let me consult for one moment.

We will give you precise data on that, sir. But what we are saying is that the ratio of imports-to-domestic consumption is approximately 11 percent, and I think the actual figure declined in 1977, even from 1976. But the fact is that since 1972 through 1976 the quantity of textile and apparel imports declined.

Mr. HOLLAND. Could you provide that information for the record at some later date?

Mr. SMITH. Yes, we will be glad to. We will provide that, sir. We have a chart which will perhaps show this more graphically.

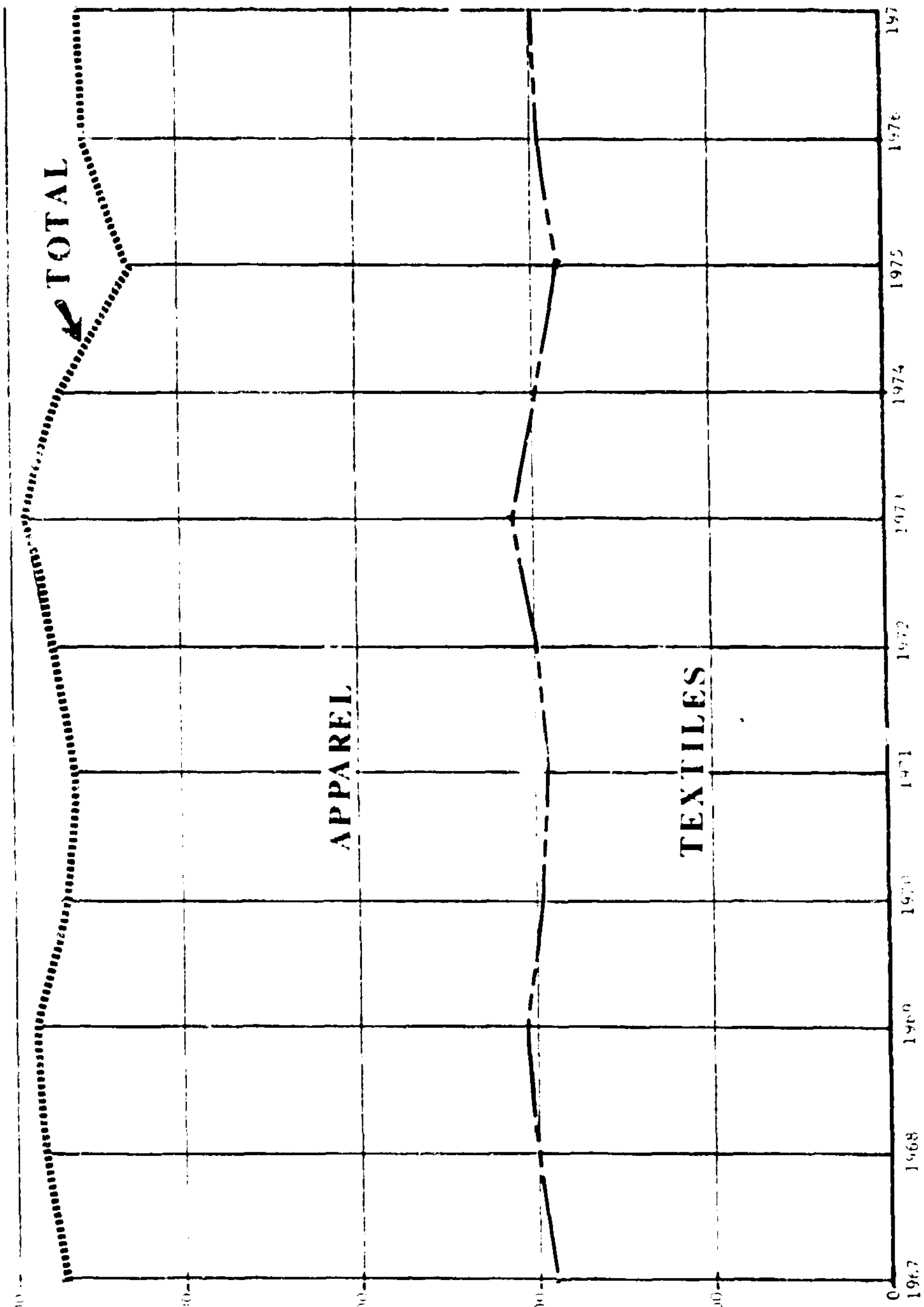
This chart shows the U.S. apparent domestic market and production in cotton, wool, and manmade fiber textiles and apparel products in millions of pounds. The dark blue is the domestic production, and the gray is the apparent domestic market. The gray is the total of the domestic production and imports which would equal the apparent domestic market.

Mr. HOLLAND. Will a copy of that be available for the record?

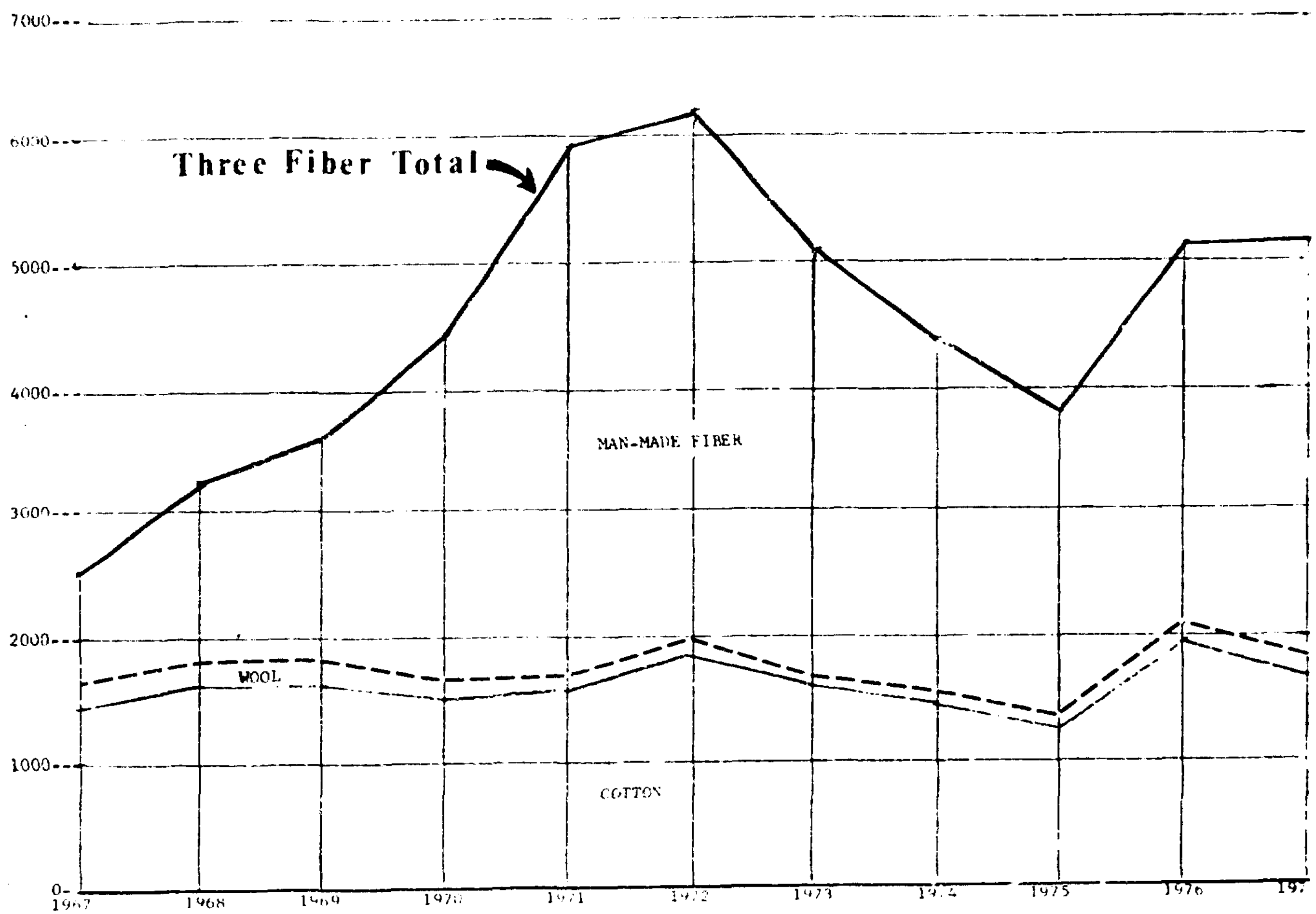
Mr. SMITH. Yes, sir.

[The information follows:]

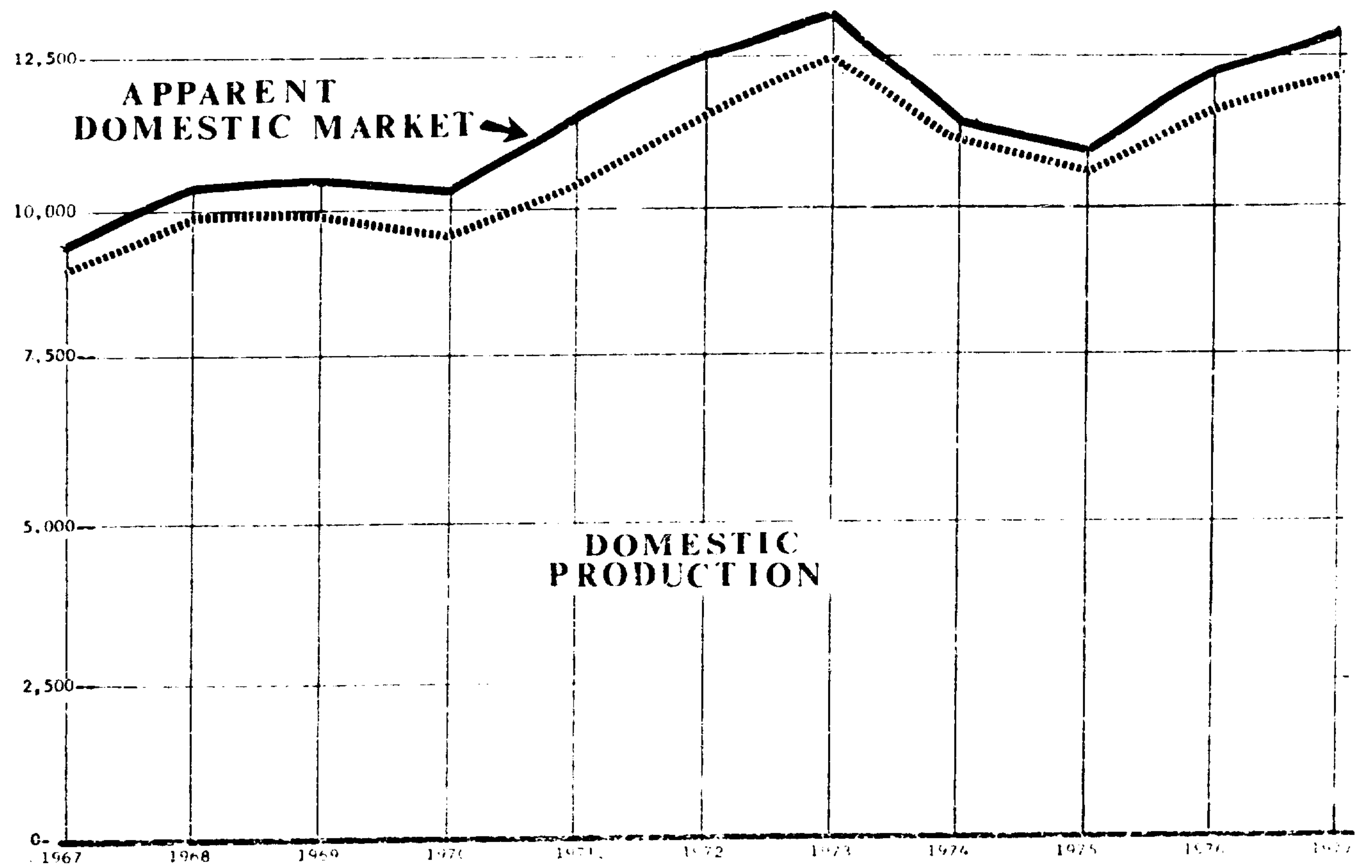
U.S. EMPLOYMENT TEXTILE AND APPAREL INDUSTRIES
(1000)



U.S. GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILE AND APPAREL PRODUCTS
(Million Square Yards Equivalent)



U.S. APPARENT DOMESTIC MARKET AND PRODUCTION: COTTON, WOOL AND MAN-MADE FIBER TEXTILES AND APPAREL PRODUCTS
(Millions of pounds)



UNITED STATES DEPARTMENT OF COMMERCE

Office of Textiles

UNITED STATES GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES (MAJOR SUBGROUPS IN EQUIVALENT SQUARE YARDS) CALENDAR YEARS 1974-1977 AND JAN.-MAY 1978

NOTE: DATA FOR JAN.-May, 1977 and 1978 ARE NOT EXACTLY COMPARABLE TO EARLIER DATA DUE TO CONVERSION FACTOR CHANGES IN NEW CATEGORY SYSTEM.

Prepared by: Trade Analysis Division
July 1978

UNITED STATES GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES

CALENDAR YEARS 1974 - 1978, BY MONTH

TOTAL - Million Square Yards

	COTTON					WOOL					MAN-MADE FIBER					TOTAL				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
January	128.7	86.6	195.5	135.9	214.8	3.5	3.9	4.6	8.4	8.7	193.0	198.3	275.9	218.1	309.3	325.2	288.8	476.2	362.4	532.8
February	135.5	80.3	166.8	144.2	170.4	3.2	3.7	3.5	7.3	8.3	172.4	15[illegible]	[illegible]42.5	221.5	280.3	311.1	240.2	412.7	372.9	459.1
Cum.	264.2	166.8	362.2	280.0	385.2	6.7	7.6	8.1	15.7	17.0	365.4	354.[illegible]	518.4	439.6	589.7	636.4	529.0	888.8	735.3	991.8
March	134.0	78.9	198.9	141.1	185.0	3.6	4.1	5.1	9.2	14.4	190.8	172.0	275.6	257.6	289.6	328.4	254.9	479.5	407.9	489.1
Cum.	398.2	245.7	561.1	421.1	570.2	10.3	11.7	13.2	24.9	31.4	556.2	526.7	793.9	697.2	879.3	964.7	784.1	1368.3	1143.2	1480.9
April	129.1	76.0	182.9	123.8	211.6	4.5	4.0	5.4	9.5	12.8	201.3	157.4	252.2	246.7	322.1	334.9	237.5	440.5	380.0	546.5
Cum.	527.3	321.8	744.0	544.9	781.8	14.8	15.7	18.7	34.4	44.2	757.5	684.1	1046.1	943.3	1201.7	1299.4	1021.6	1808.8	1522.6	2027.7
May	157.6	70.4	150.8	130.9	176.4	6.4	4.8	6.6	15.2	15.0	219.9	166.2	254.2	289.5	295.6	384.0	241.4	411.6	435.5	487.0
Cum.	684.9	392.2	894.8	675.8	958.2	21.2	20.5	25.3	49.5	59.2	977.4	850.3	1300.3	1232.8	1497.3	1683.5	1263.0	2220.4	1958.1	2514.7
June	136.6	84.3	159.8	144.1		8.6	7.4	9.7	15.6		251.2	199.5	287.5	370.4		396.5	291.2	457.0	530.0	
Cum.	821.5	476.5	1054.6	824.7		29.8	27.9	35.0	53.3		1228.7	1049.8	1587.8	1636.6		2079.9	1554.2	2677.4	2514.6	
July	126.8	98.7	157.8	141.1		11.4	10.0	13.0	17.3		284.4	219.3	301.0	316.3		422.7	328.0	471.8	474.7	
Cum.	948.3	575.2	1212.4	965.8		41.3	37.9	47.9	70.6		1513.0	1269.1	1888.9	1952.9		2502.5	1882.2	3149.3	2989.3	
August	117.8	101.0	159.0	154.5		12.5	9.5	14.8	18.7		288.2	216.2	262.7	346.1		418.5	326.7	436.5	519.3	
Cum.	1066.1	676.1	1371.4	1120.3		53.8	47.5	62.7	89.2		1801.3	1485.3	2151.6	2299.0		2921.1	2208.9	3585.7	3508.6	
September	114.7	114.0	144.0	160.3		9.9	9.3	12.4	14.3		304.0	224.4	243.5	302.0		428.6	347.7	399.9	476.6	
Cum.	1180.8	790.1	1515.4	1280.6		63.7	56.8	75.1	103.5		2105.2	1709.7	2395.1	2601.0		3349.8	2556.6	3985.6	3985.2	
October	105.4	150.7	132.9	118.7		9.4	8.0	13.5	13.5		304.9	253.1	217.6	266.5		419.7	411.9	363.9	398.7	
Cum.	1286.2	940.8	1648.4	1399.2		73.1	64.8	88.6	117.0		2410.1	1962.9	2612.7	2867.8		3769.4	2968.5	4349.7	4384.0	
November	96.9	159.9	160.6	107.4		7.2	7.2	10.3	9.7		244.9	240.7	247.2	213.9		349.0	407.8	418.1	331.0	
Cum.	1383.1	1100.7	1809.0	1506.6		80.3	72.0	98.9	126.7		2655.0	2203.6	2859.9	3081.7		4118.4	3376.3	4767.8	4715.0	
December	79.4	180.0	147.5	169.7		5.7	6.2	6.6	8.7		206.7	265.0	216.5	266.7		291.9	451.2	370.6	445.2	
TOTAL	1462.5	1280.7	1956.5	1676.3		86.1	78.2	105.5	135.4		2861.7	2468.6	3076.4	3348.4		4410.3	3827.5	5138.4	5160.1	

Cumulative totals may include revisions not reflected in monthly detail.

UNITED STATES GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES

CALENDAR YEARS 1974 - 1978, BY MONTH

YARNS - Million Square Yards

	COTTON 1974	COTTON 1975	COTTON 1976	COTTON 1977	COTTON 1978	WOOL 1974	WOOL 1975	WOOL 1976	WOOL 1977	WOOL 1978
January	8.7	3.2	8.9	6.9	6.3	0.4	0.6	0.7	1.0	1.3
February	4.9	2.2	9.9	7.0	7.5	0.4	0.3	0.4	0.5	0.6
Cum.	13.6	5.4	18.8	13.9	13.8	0.8	0.9	1.1	1.4	1.9
March	8.3	2.2	11.8	4.1	7.5	0.3	0.4	0.5	0.8	1.5
Cum.	21.8	7.6	30.6	17.9	21.3	1.7	1.3	1.6	2.2	3.4
April	5.7	2.2	2.1	5.0	8.6	0.5	0.3	0.5	0.8	0.9
Cum.	27.5	9.8	39.6	22.9	29.8	1.6	1.6	2.2	3.0	4.3
May	5.1	2.6	8.6	3.5	10.0	0.5	0.3	0.7	0.7	0.8
Cum.	32.6	12.4	48.3	26.4	39.8	2.1	1.9	2.9	3.7	5.1
June	3.1	4.0	10.1	3.0		0.5	0.4	0.5	0.7	
Cum.	35.8	16.3	58.3	29.3		2.6	2.2	3.3	4.3	
July	3.8	3.7	8.7	3.4		0.8	0.4	0.7	0.9	
Cum.	39.6	20.0	67.1	32.7		3.4	2.6	4.1	5.2	
August	3.5	3.6	9.5	3.8		0.7	0.3	0.5	1.1	
Cum.	43.1	23.7	76.5	36.5		4.1	2.9	4.6	6.2	
September	3.4	2.8	7.5	4.5		0.4	0.4	0.5	0.8	
Cum.	46.5	26.5	84.0	41.1		4.4	3.4	5.1	7.1	
October	1.8	6.3	7.7	3.4		0.7	0.4	0.8	1.0	
Cum.	48.3	32.7	91.8	44.5		5.1	3.7	5.8	8.1	
November	2.6	5.7	7.3	3.7		0.9	0.5	0.7	0.5	
Cum.	50.9	38.4	99.0	48.3		6.0	4.3	6.5	8.6	
December	2.2	6.5	5.0	4.0		1.0	0.7	0.7	1.4	
TOTAL	53.2	44.9	104.1	52.3		7.0	4.9	7.3	10.0	

	MAN-MADE FIBER 1974	MAN-MADE FIBER 1975	MAN-MADE FIBER 1976	MAN-MADE FIBER 1977	MAN-MADE FIBER 1978	TOTAL 1974	TOTAL 1975	TOTAL 1976	TOTAL 1977	TOTAL 1978
January	52.6	40.7	86.9	44.4	121.9	61.7	44.5	90.6	53.3	129.5
February	32.4	21.5	79.2	57.3	80.4	37.7	24.1	89.5	65.2	88.6
Cum.	85.1	62.2	160.1	103.2	202.3	92.4	68.5	180.0	118.5	218.0
March	46.1	16.7	81.8	80.7	91.5	54.7	19.3	94.1	85.5	100.4
Cum.	131.1	78.0	241.9	183.9	293.8	154.0	87.8	274.1	204.0	318.5
April	47.7	15.9	63.8	88.7	100.6	53.9	18.4	73.4	94.4	110.1
Cum.	178.8	94.8	305.8	272.6	394.4	207.9	106.2	347.6	298.5	428.5
May	45.5	26.3	61.1	104.5	70.4	51.2	29.2	70.4	105.7	81.2
Cum.	224.4	121.1	366.8	377.1	464.9	259.1	135.3	418.0	407.1	509.8
June	75.9	28.2	65.8	123.7		79.6	32.6	76.3	127.5	
Cum.	300.3	149.3	432.6	501.0		338.7	167.8	494.2	534.6	
July	91.8	37.8	50.6	101.2		96.4	41.8	60.0	105.4	
Cum.	392.1	187.1	483.2	602.1		435.1	209.7	554.4	640.0	
August	102.3	38.4	46.6	118.2		106.5	42.4	56.6	123.1	
Cum.	494.5	225.5	529.8	720.3		541.6	252.1	610.9	763.1	
September	140.2	54.6	49.4	93.5		144.0	57.9	57.4	98.9	
Cum.	634.7	280.1	579.2	813.9		685.6	310.0	668.3	862.0	
October	117.8	62.0	41.6	76.1		120.3	68.6	50.1	80.5	
Cum.	752.5	342.1	620.7	890.0		806.0	378.5	718.3	942.6	
November	71.6	71.3	45.4	40.4		75.1	77.5	53.4	44.7	
Cum.	824.1	413.5	666.1	930.4		881.0	456.1	771.4	987.2	
December	41.4	92.1	43.6	65.6		44.6	99.2	49.3	71.0	
TOTAL	865.5	505.5	709.7	996.0		925.6	555.3	821.1	1058.3	

Cumulative totals may include revisions not reflected in monthly detail.

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UNITED STATES GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES

CALENDAR YEARS 1974 - 1978, BY MONTH

FABRICS - Million Square Yards

	COTTON					WOOL					MAN-MADE FIBER					TOTAL				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
January	68.4	33.1	108.5	58.0	102.4	0.5	0.9	0.9	1.8	2.2	28.3	46.0	40.4	36.2	46.5	97.2	80.0	149.9	95.9	151.0
February	81.4	32.7	82.8	60.0	62.2	1.0	1.1	0.9	2.1	2.0	26.7	26.6	32.8	[illegible]	37.5	[illegible]	66.4	135.5	100.5	101.7
Cum.	149.8	65.9	191.3	118.0	164.6	1.5	2.1	1.8	3.8	4.2	55.0	72.5	73.3	74.6	84.0	206.3	140.5	266.4	195.5	252.8
March	77.7	24.1	105.5	53.9	75.1	1.4	1.4	1.7	3.1	3.4	31.7	27.6	37.4	44.5	44.4	110.8	53.1	144.7	101.5	123.0
Cum.	227.5	90.0	296.8	171.9	239.7	2.8	3.5	3.6	7.0	7.6	86.8	100.1	110.7	119.1	128.4	317.1	193.6	411.1	298.0	375.8
April	72.7	26.9	91.5	45.3	98.3	1.1	1.4	1.8	2.6	2.3	38.0	31.5	35.8	33.6	47.1	111.8	59.8	129.1	81.6	148.2
Cum.	300.2	116.9	388.3	217.2	338.1	4.0	4.9	5.4	9.6	10.5	124.8	131.6	146.5	152.7	175.4	429.0	253.3	540.2	379.5	524.0
May	99.9	22.2	75.0	53.3	70.3	1.4	1.0	1.6	2.2	2.7	37.3	25.9	32.3	36.1	47.7	138.6	49.1	108.0	91.6	120.7
Cum.	400.1	139.1	463.2	270.5	408.3	5.4	5.9	7.0	11.7	13.2	162.0	157.5	178.8	188.9	223.1	567.6	302.4	649.0	471.1	644.7
June	78.3	29.5	77.2	55.8		1.3	1.2	2.1	2.5		33.5	27.6	36.5	41.7		113.0	58.2	115.7	99.9	
Cum.	478.5	168.6	540.4	326.2		6.7	7.0	9.1	14.1		195.5	185.1	215.3	230.6		680.7	360.6	764.7	570.8	
July	65.6	36.1	71.7	51.5		1.0	1.2	1.9	2.4		41.8	33.0	41.7	37.9		108.4	70.2	115.3	91.9	
Cum.	544.1	204.6	612.1	377.9		7.6	8.2	11.0	16.5		237.3	218.0	257.0	268.5		789.0	430.9	880.0	662.9	
August	54.6	42.0	69.5	61.6		1.0	1.1	1.5	1.8		39.5	30.9	38.5	50.8		95.2	73.9	109.5	114.2	
Cum.	598.7	246.6	681.6	439.5		8.7	9.3	12.4	18.3		276.9	248.9	295.5	319.2		884.3	504.8	989.5	777.0	
September	58.4	52.2	62.6	68.8		1.0	0.8	1.3	1.2		37.8	28.9	39.4	42.0		97.2	81.8	103.3	112.0	
Cum.	657.1	298.8	744.2	508.2		9.7	10.1	13.7	19.5		314.7	277.8	334.8	361.3		981.5	586.6	1092.8	889.0	
October	51.8	77.3	52.3	41.4		0.6	0.7	1.1	0.9		44.2	33.7	35.7	39.2		96.6	111.6	[illegible]	81.5	
Cum.	709.0	376.0	796.5	549.6		10.3	10.7	14.8	20.4		358.9	311.4	370.5	400.5		1078.1	698.2	1181.8	970.5	
November	41.5	90.1	76.2	33.4		0.6	0.6	1.1	1.1		40.0	36.0	42.5	31.0		82.1	126.7	119.7	65.5	
Cum.	750.5	466.2	872.7	583.0		10.8	11.4	15.9	21.5		398.9	347.4	413.0	431.5		1160.2	825.0	1301.5	1036.0	
December	28.9	103.5	72.4	70.7		0.7	0.8	1.3	1.3		43.2	38.1	38.1	49.1		72.7	142.3	111.9	121.1	
TOTAL	779.3	569.7	945.1	653.7		11.6	12.1	17.2	22.8		442.1	385.5	451.1	480.6		1233.1	967.3	1413.4	1157.0	

Cumulative totals may include revisions not reflected in monthly detail.

UNITED STATES GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES

CALENDAR YEARS 1974 - 1978, BY MONTH

APPAREL - Million Square Yards

	COTTON					WOOL				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
January	36.2	40.0	61.8	55.7	84.0	1.6	1.5	1.7	4.6	4.3
February	34.2	37.3	61.0	61.6	84.3	1.1	1.6	1.4	3.8	4.7
Cum.	70.4	77.2	122.8	117.4	168.3	2.7	3.1	3.1	8.5	9.0
March	34.9	41.8	66.5	64.9	83.2	1.1	1.5	1.9	4.3	8.6
Cum.	105.3	119.0	189.3	182.3	251.5	3.8	4.6	5.0	12.8	17.6
April	34.6	37.8	64.1	56.9	84.4	2.0	1.7	2.2	5.3	8.1
Cum.	139.9	156.9	253.4	239.2	335.9	5.9	6.3	7.2	18.1	25.7
May	35.9	38.6	53.9	60.5	73.9	3.3	2.4	3.1	11.1	10.3
Cum.	175.8	195.4	307.3	299.7	409.8	9.2	8.8	10.3	29.2	36.1
June	39.0	43.0	57.8	71.5		5.5	4.7	5.8	11.4	
Cum.	214.7	238.4	365.1	382.7		14.6	13.4	16.2	28.7	
July	40.6	49.6	64.5	73.6		8.1	7.0	9.0	12.5	
Cum.	255.4	288.0	429.7	456.2		22.7	20.4	25.2	41.2	
August	42.4	45.9	67.3	75.8		9.0	7.3	11.4	14.4	
Cum.	297.8	333.9	496.9	532.0		31.7	27.7	36.6	55.6	
September	37.5	47.8	59.9	74.1		7.5	7.3	9.6	11.3	
Cum.	335.2	381.8	556.9	606.1		39.4	35.0	46.2	66.9	
October	37.7	53.4	58.0	62.3		7.2	6.1	10.3	10.6	
Cum.	372.9	435.2	614.9	668.4		46.6	41.1	56.6	77.5	
November	39.5	50.7	62.0	60.0		4.8	4.8	7.4	7.3	
Cum.	412.5	485.9	676.8	728.3		51.4	46.0	63.9	84.8	
December	36.4	54.5	54.5	76.1		3.0	3.7	3.6	4.9	
TOTAL	448.8	540.4	731.3	804.4		54.5	49.7	67.5	89.6	

	MAN-MADE FIBER					TOTAL				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
January	101.5	105.7	142.9	123.5	124.6	193.3	147.2	206.4	183.8	212.9
February	103.8	103.7	123.8	114.9	149.5	139.1	142.6	186.2	180.4	238.6
Cum.	205.4	209.4	266.7	238.3	274.0	278.5	289.7	392.6	364.2	451.4
March	105.1	119.8	145.1	119.7	137.3	141.1	162.2	213.5	188.9	229.1
Cum.	310.5	329.3	411.8	358.1	411.5	419.6	452.9	606.1	553.2	680.6
April	103.2	102.2	141.3	112.1	151.5	139.7	141.8	207.6	174.3	244.0
Cum.	413.7	431.5	553.0	469.6	563.4	559.4	594.7	813.7	726.9	925.0
May	126.9	107.7	148.9	136.3	157.4	166.0	148.7	206.0	207.9	241.7
Cum.	540.6	539.2	702.0	605.9	720.8	725.3	743.5	1019.6	934.8	1166.6
June	130.8	137.3	172.4	191.2		175.2	184.9	236.1	274.0	
Cum.	671.3	676.5	874.3	830.2		900.6	928.3	1255.7	1241.5	
July	140.4	141.7	195.6	165.8		189.2	198.3	269.2	251.9	
Cum.	811.8	818.2	1069.9	995.9		1089.8	1126.7	1524.7	1493.3	
August	136.5	136.0	165.4	162.8		188.0	189.3	244.1	252.0	
Cum.	948.3	954.3	1235.3	1158.8		1277.7	1315.9	1768.9	1746.4	
September	116.6	133.9	143.9	156.5		161.7	189.1	213.4	241.9	
Cum.	1064.9	1088.2	1379.2	1315.2		1439.5	1505.0	1982.3	1988.3	
October	131.8	149.8	129.9	141.5		176.7	209.3	198.2	214.4	
Cum.	1196.8	1238.0	1509.1	1457.0		1616.4	1714.3	2180.6	2202.9	
November	123.7	124.5	148.6	132.2		168.0	180.0	217.9	199.6	
Cum.	1320.5	1362.5	1657.8	1589.2		1784.4	1894.4	2398.6	2402.4	
December	113.3	124.3	121.2	138.0		152.8	192.5	179.2	219.0	
TOTAL	1433.7	1486.8	1778.9	1727.2		1937.0	2076.8	2577.7	2621.3	

Cumulative totals may include revisions not reflected in monthly detail.

UNITED STATES GENERAL IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES

CALENDAR YEARS 1974 - 1978, BY MONTH

[illegible] - Million Square Yards

	COTTON					WOOL					MAN-MADE FIBER					TOTAL				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
January	15.5	10.3	16.3	15.2	22.1	1.0	0.9	1.2	1.1	1.0	10.5	6.0	11.6	13.1	16.4	27.0	17.2	29.1	29.4	39.5
February	15.0	8.1	13.1	15.6	16.[illegible]	0.7	0.6	0.8	0.[illegible]	0.9	9.5	4.5	6.7	10.3	13.0	25.2	13.2	20.6	26.7	30.2
Cum.	30.4	18.4	29.4	30.8	38.5	1.7	1.6	2.0	2.0	1.9	20.0	10.5	18.3	23.4	29.4	52.1	30.4	49.7	56.1	69.7
March	13.2	10.7	15.1	18.2	19.2	0.6	0.7	1.0	0.9	0.9	7.8	7.9	11.2	12.7	16.4	21.8	19.4	27.3	31.9	36.5
Cum.	43.6	29.1	44.5	49.0	57.7	2.3	2.3	3.0	2.9	2.7	27.8	18.4	29.5	36.1	45.8	73.9	49.8	77.1	88.0	106.2
April	16.1	9.1	18.2	16.5	20.3	0.8	0.7	0.9	0.8	0.9	12.4	7.8	11.3	12.3	22.9	29.3	17.6	30.3	29.7	44.2
Cum.	59.7	38.2	62.7	65.6	78.0	3.3	3.0	3.9	3.7	3.7	40.2	26.[illegible]	40.9	48.4	68.7	103.2	67.4	107.5	117.7	150.4
May	16.7	7.1	13.3	13.6	22.3	1.2	1.0	1.2	1.1	1.1	10.2	6.3	11.[illegible]	12.6	20.0	28.1	14.4	26.4	27.3	43.4
Cum.	76.4	45.3	76.0	79.2	100.3	4.6	4.0	5.1	4.9	4.3	50.5	32.5	52.7	60.9	88.7	131.4	81.8	133.8	145.0	193.8
June	16.1	7.9	14.8	13.8		1.4	1.2	1.3	1.0		11.0	6.4	12.9	13.8		28.6	15.6	29.0	28.7	
Cum.	92.5	53.2	90.8	86.6		5.9	5.2	6.4	6.2		61.5	38.9	65.6	74.9		159.9	97.4	162.8	167.7	
July	16.8	9.3	12.8	12.5		1.6	1.4	1.3	1.6		10.3	6.9	13.2	11.5		28.7	17.6	27.4	25.5	
Cum.	109.3	62.5	103.6	99.0		7.6	6.7	7.7	7.9		71.8	45.8	78.8	86.4		188.7	115.0	190.2	193.2	
August	17.3	9.4	12.7	13.2		1.7	0.8	1.4	1.3		9.8	10.9	12.3	14.3		28.8	21.2	26.4	28.9	
Cum.	126.6	71.9	116.3	112.3		9.3	7.5	9.1	9.1		81.6	56.7	91.1	100.7		217.5	136.1	216.5	222.1	
September	15.4	11.1	13.9	12.9		1.0	0.8	1.0	1.0		9.3	7.0	10.8	10.0		25.7	18.9	25.7	23.9	
Cum.	142.0	83.0	130.3	125.3		10.2	8.4	10.1	10.1		90.9	63.6	101.9	110.6		243.2	155.1	242.2	246.0	
October	14.1	13.8	14.9	11.6		0.9	0.9	1.3	1.0		11.0	7.7	10.4	9.7		26.0	22.4	26.6	22.3	
Cum.	156.0	96.8	145.3	136.9		11.1	9.3	11.4	11.1		101.9	71.3	112.3	120.3		269.0	177.4	269.0	268.3	
November	13.2	13.4	15.2	10.3		1.0	1.2	1.2	0.7		9.7	8.9	10.7	10.3		23.8	23.4	27.2	21.3	
Cum.	169.2	110.2	160.5	147.0		12.1	10.4	12.6	11.8		111.6	80.2	123.0	130.6		292.8	200.8	296.2	289.4	
December	12.0	15.6	15.7	18.9		1.0	1.0	1.0	1.2		8.7	10.6	13.6	13.9		21.7	27.2	30.3	34.1	
TOTAL	181.2	125.9	176.1	166.0		13.0	11.4	13.5	13.0		120.4	90.8	136.7	144.5		314.6	228.1	326.4	323.5	

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Mr. HOLLAND. I take it that purports to trace the pattern since 1972? I can't read it from here.

Mr. SMITH. I can't see it very well from here, either.

Mr. HOLLAND. From 1967 to the present?

Mr. SMITH. From 1967; yes. Mr. Holland, you had asked about import penetrations. Ratios of imports-to-domestic production vary according to product concerned. Some have gone up and some have gone down.

Mr. HOLLAND. I have information before me that indicates that in 1977 we had a $3.4 billion trade deficit, and in 1978 a $4.4 billion trade deficit in the textile apparel synthetic fibers area.

How do you explain that, in view of your statement that imports have really declined since 1972?

Mr. SMITH. In my statement, sir, I said that imports declined from 1972 to 1977. I think it is well known that the figures for the first 4 months of 1978 show an increase in imports. I am not sure I have all the answers as to why there was a surge of imports in the first 4 months. We know that the rate of increase in the month of May is beginning to decline. We anticipate, we certainly hope, that the imports will stabilize and reduce as the year goes on.

We do know that the 1977 figures were perhaps artificially low because in some of the textile products they were affected by the dock strike on the east coast. There were rumors, to which I do not necessarily give any credence, that the Far Eastern suppliers were shipping also heavily in the first 3 or 4 months of this year to forestall any adverse repercussions from what they thought would be a dock strike on the west coast.

We also know that while our bilateral agreements with our major suppliers such as Hong Kong, Korea, and Taiwan permit no carryover from 1977 to 1978 of unused quota, as a result, those countries allocated significant amounts to their 1977 quota, and shipped their quota in 1977, but which may be showing up in our 1978 import statistics. It is a little early to draw conclusions as to what will be the figure for 1978.

We have consistently said that we anticipated as the U.S. economy improved, that 1978 imports would go up, as would domestic shipments. I was interested to note that in the June issue of the ATMI Highlights, they indicate that domestic shipments also have increased and are running at an 8-percent higher level than they were in the period corresponding to April 1977.

Mr. HOLLAND. Mr. Shepherd, there was a great amount of talk I believe one day at a meeting at the White House about all the effort that was going to be put forth to knock down some of these nontariff barriers erected by our trading partners. I take it from what Mr. Smith has had to say and from what you have had to say today that there hasn't been any progress at all in knocking down some of these nontariff barriers.

Is that a fair statement?

Mr. SHEPHERD. No; I wouldn't say that, sir. You might think of this in two ways. One is in context of the multilateral trade negotiations in Geneva. These negotiations are actively underway. I am not in a position to give a status report on where they stand right now but we certainly have every hope that some significant progress would be made.

Mr. HOLLAND. I understood also that at that same meeting there was going to be a great amount of activity to open up the marketplaces around the world in textiles and apparel manufactured in this country.

Would the same statement apply there?

Mr. SHEPHERD. We are working on that very diligently. I would like to note that we have, in the case of a couple countries, tackled specific issues. In the case of Israel we have succeeded in getting the Israelis to change an adverse action they took with respect to cotton fabrics. My associate, Mr. Smith, was very instrumental in getting the Japanese to change their position on thrown silk yarn. We have underway, as you know, in the administration, a Cabinet level task force, an executive task force which is chaired by Assistant Secretary Frank Weil of the Commerce Department to examine the whole issue of what we can do as an administration to further and facilitate exports across the board as well as with textiles and apparel.

We have been actively working on specific export projects with several textile organizations. We will have a major mission going to Japan this fall in which the textile and apparel industry will be represented.

Mr. HOLLAND. Under the present law, is the administration empowered to apply a discriminatory tariff on textile and apparel items relating to any specific country?

Mr. SHEPHERD. Just a moment. I would like, if I may, to just take a moment on that.

Mr. SMITH. In principle, tariffs are applied on an MFN basis. Of course, if there is a countervailing duty action which has been taken, then I believe that is done on a discriminatory basis against the country concerned.

Mr. HOLLAND. The reason I asked that is because everybody recognizes Red China as a potential threat to this domestic industry in the very near future.

What I want to know is, if you go ahead with additional tariffs in Geneva, as it relates to every other country, doesn't it somewhat weaken your approach in the event the projected threat from Red China takes place?

Mr. SMITH. Congressman, tariffs on imports from China and other Communist countries fall under column 2 of the tariff schedule, not the MNF column 1 rate, and therefore do not apply.

Mr. HOLLAND. But there would be something of a precedent in our negotiations, if we ever get that far with Red China, wouldn't it?

Mr. SMITH. To give them MFN status?

Mr. HOLLAND. Yes.

Mr. SMITH. I really don't know what the precedential effect of granting MFN status to imports from the PRC would be.

Mr. HOLLAND. Since there is such a huge threat, somebody should start finding out, I should think.

Mr. SMITH. Yes, sir.

Mr. HOLLAND. Thank you.

Thank you, Mr. Chairman.

Mr. VANIK. Thank you very much.

Mr. Vander Jagt.

Mr. VANDER JAGT. Thank you very much, Mr. Chairman.

Mr. Smith, last month in a speech, I believe it was in Georgia, you suggested that the number of apparel plants in the Nation ought to be drastically pared back or cut in order to, I guess, increase manufacturing efficiency.

Would you apply that same reasoning to textile plants as well as apparel plants?

Mr. SMITH. Sir, I believe I was misquoted. What I said in Atlanta on June 21, was that one thing which had been suggested by the Georgia World Congress Institute in a monograph which they had published was that the number of employees involved in apparel production, the average plant employment in apparel, was 59 persons, and that they suggested that this might be too small to take advantage of increases in productivity and efficiencies, centralization of distributorship, use of computers, and better administration.

What I simply said to that body was that this may be something they wished to discuss and to study further. I said very specifically that I would like to see the number of U.S. apparel firms doubled. It would be a sign of vigor in the U.S. textile and apparel industry. I just threw that out as a conjecture, as one of the things they might wish to study in response to the monograph which they had circulated to all members, to all participants that morning.

With regard to textile mills, I don't think the case is quite the same. These are huge operations. They have to be huge for efficiencies of scale, and so I really feel, Congressman, that your quotation was taken out of context.

Mr. VANDER JAGT. Mr. Smith, I think anyone in public life knows that that can happen, and I am glad to make sure that the record is straight. The quote prepared by our staff, since it apparently was a misquote, I would like you to respond to it directly. The newspaper account quoted you as saying U.S. apparel plants "have to be pared down drastically in order to sharpen manufacturing levels. We need fewer plants, each with more employees." I gather that you were not calling for that at all.

Mr. SMITH. I would be glad to provide you the text of the remarks as I delivered them.

Mr. VANDER JAGT. And what you were suggesting was that you wanted them to explore that possibility. You were not giving that as a recommendation, but you suggested that they might explore it as a possibility.

Mr. SMITH. That is right.

Mr. VANDER JAGT. And you certainly wouldn't even suggest that, as far as textile plants are concerned.

Mr. SMITH. No, I didn't. The matter of textile plants was not a subject for discussion that morning.

Mr. VANDER JAGT. At least the news account didn't even make that mistake, and there was no implication that they were, and I am glad to know that it never was.

On page 5, Mr. Smith, you say, "The American textile industry has, thanks to the Carter administration, tougher bilaterals than heretofore," and I understood in the conversation with Congressman Holland that there has been a tremendous increase in imports in the first 5 months of 1978. If our bilaterals are tougher than ever before, and we have a tremendous increase, it would be some indication that maybe those tougher bilaterals are not working out so well.

Would you care to comment on that?

Mr. SMITH. Yes, I would, sir.

First of all, we don't cover the whole world with our bilateral agreements. We cover roughly 75 percent of the trade coming in, and that obviously is concentrated in imports from the low-cost suppliers.

We have had substantial increases of exports to the United States from Japan in the yarn area, for example, a product which has not been specifically covered since 1975 as part of an amendment to the Japanese bilateral, which was negotiated on the advice of U.S. industry. There also has been a substantial increase in textile imports from Europe, with which we have no bilateral agreement. We never have had a bilateral agreement with a European exporter, except in one case concerning corduroy velveteen with the Italians, and there also have been increases in imports from the People's Republic of China, with which we have no bilateral agreement on textiles.

There is no ducking the question, however, that there also have been increases in imports from the countries with which we do have bilateral agreements, and with which we have renegotiated our bilateral agreements. However, we think it is a bit premature to say whether the bilaterals which went into effect on January 1, 1978, are proving inadequate.

For example, in the case of Hong Kong, since the U.S. Government, in the administration of its textile and apparel restraint agreements, bases its figures on date of export and not date of import, which are the figures which are seen first by the general public, we note, for example, in Hong Kong for the first 4 months of 1978 that actually 53 percent or 52 percent of those imports received in the first 4 months were actually exported—allocated and exported in 1977 within their quota, which was perfectly legitimate.

Mr. VANDER JAGT. I think you have a legitimate point, that we cannot draw a finalized conclusion about the impact of tougher bilateral agreements that become effective only in January of 1978, but I also appreciated your candidness in saying that, in spite of the fact that some of the imports are outside the range of the bilateral agreements, I think your words were, but there is no ducking the fact that we do have a serious problem in the first 5 months of this year, even within the area covered by the bilateral agreements.

I also noted the increase of the 25 percent that is outside. Whether it is inside or outside, there is no question that a reduction in tariffs would compound the problems that you have, both within the bilateral agreements and outside, wouldn't it, in terms of not having a flood of imports?

In your answer you listed a whole series of problems that we have, but certainly to the extent that they are problems, as you outlined them, those problems would be compounded by a reduction in tariffs, would they not? It wouldn't be made easier?

Mr. SMITH. Again, sir, I think you have to look at the products concerned, the countries which are covered by quotas, and those which are not. In our initial textile and apparel offer, we have put forward a number of exceptions on products which are highly import impacted, primarily by low-cost suppliers, so they would not be getting any tariff reduction under our initial offer proposal. But as Mr. Shepherd said, we feel we should do this on a product-by-product basis.

There are other portions of our textile and apparel offer which cover all of U.S. Tariff Schedule 3, which covers more than just cotton, wool, and manmade products which we don't produce in the United States, on which we have offered the full formula tariff reduction for those products.

Mr. VANDER JAGT. I realize that product by product there are many refinements, and it is hard to talk in general terms, but unfortunately my time is already expired, and when we only have 5 minutes, it is helpful to us to talk in general terms, and I am not certain, at least in general terms, that I have an answer to the question that I asked before, and so let me lay a little more background for it.

On the chart that you have supplied, it does show the domestic industry having a substantial share of the market, and in relation to 1972, for a whole variety of reasons that were earlier discussed, the situation in terms of just the domestic market looks pretty good. But what your own chart does show is that imports are growing far more rapidly than the total market, and that is compounded by the first 5 months of this year, which the chart doesn't even represent.

In your testimony you have listed a number of problems that I think, sometimes with great skill, you are trying to address that problem, that imports are flooding and growing.

My question to you was, in all of these problems, and in coping with them, wouldn't a reduction in tariffs in general terms make your problems more difficult rather than less difficult?

There may be other overriding reasons that you are willing to cope with that difficulty, but it seems to me a very simple question.

Mr. SMITH. I think, regarding your last point, that there are also obviously overriding problems which I alluded to in my statement. However, I am not certain, sir, that reduction in tariffs would complicate our problems with quota countries. As I tried to say earlier, I am not sure, for example, that a 30-percent tariff or a 20-percent tariff on some item of apparel coming from Korea will make the difference between whether they ship their quota in that particular item or not.

Mr. VANDER JAGT. My time is way pass expired, and I don't mean to prolong this, but let me take just one more crack at it, and correct me if this is wrong.

We have lost, under your testimony, at least 76,000 jobs in the textile industry in the past decade. Imports are increasing, so we do have a domestic problem, and though a reduction in tariff might make the problem more difficult to cope with, because of a whole variety of other reasons, that difficulty is something that you are willing to live with.

Have I accurately summarized your position?

Mr. SMITH. I would say, sir, we feel we can handle that problem. We feel that what we are offering in our initial offer, and where we probably will come out at the end of the day, is so minimal that the risk that you and I are talking about is minimal, and that where we offered significant cuts, there was or is little sensitivity.

Mr. VANDER JAGT. Thank you very much.

Thank you, Mr. Chairman.

Mr. VANIK. Mr. Jenkins.

Mr. JENKINS. Thank you, Mr. Chairman.

Mr. Smith, let me get down to basics, to see if I can understand what you are alluding to.

First of all, what is the big push at this particular time for the MTN and for the negotiations? What is our advantage?

Mr. SMITH. I wish I had Ambassador Strauss here to answer that one. I don't mean to dodge the question. I am fortunately or unfortunately just a textile man, but we do have an objective of trying to have a successful MTN, which is in two phases—one on the tariffs side, and one which is equally important and should not be forgotten, on the nontariff barrier side.

We are seeking to enhance our ability to expand trade in the international market. We are also seeking, as Ambassador Strauss has said, "fairer rules for freer trade."

Speaking about textiles, Mr. Jenkins, we feel that there is a place for us in the export market. We don't pretend to think that we will become the next Hong Kong, in terms of exports of textiles, but with relatively little effort at the present moment, and despite very significant nontariff barriers against us, we export more than $2 billion worth of textiles and apparel, and we think that part of the MTN exercise, especially in the NTB area, should give us hopefully greater access into the markets where we can expand, where we think we can and should expand our exports.

Mr. JENKINS. I understand our hopes for expanding exports. Everyone agrees that we have great expectations and great hopes. Let me phrase the question another way.

What is the disadvantage of saying,"Now let's hold this thing up a little while? We are at a bad strategic time in our doemstic situation, with a $30 billion trade deficit, approaching even more than that."

What is the disadvatnage of simply slowing down the negotiations?

Mr. SMITH. Sir I don't feel I am qualified to comment on that. I believe that it has been the decision of the principal trading countries in the world that we must move ahead in trade liberalization, or face an irreversible trend in the opposite direction which could kill our exports.

Mr. JENKINS. It seems it is only we who are doing that. Who else is pushing for this?

Mr. SMITH. Well, sir, there is a large number of nations in Geneva at the present moment, some 98 whose representatives are taking the same or similar stands.

Mr. JENKINS. Are they laying anything on the table? Are they giving us anything?

Mr. SMITH. They have laid things on the table, and they are offering concessions.

Mr. JENKINS. I would like to hear of those concessions. It seems to me that we are going hell-bent as fast as we can to open up our domestic front for them. I can understand why they want us to liberalize our market over here. I want to know what we are getting in return.

Why can't we wait 12 months? Why do we have to meet a July-August deadline? I don't understand the rush.

Mr. SMITH. I don't think this has been a particularly hasty process. The Tokyo declaration was issued in September 1973, and we have been working, some would say, too slowly, but nonetheless we have been working steadily toward trying to bring this to a close, with all proper consideration of the issues. But I would say equally that if we have got—this is my personal opinion—if we have a growing trade deficit, then one thing we ought to do is try to go out and reduce that deficit, and one way to do that is to go out and sell more, and to do that we need to get rid of some of the barriers that preclude our selling.

Mr. JENKINS. Let me ask you this: What are the three major areas that are causing, as far as imports are concerned, that are costing us the greatest trade deficit? Oil is one.

Mr. SMITH. Commerce Department figures released last week show that the first was machinery, the second was transportation equipment, and the third was oil.

Mr. JENKINS. You are speaking of manufactured goods, which includes textiles, or does it?

Mr. SMITH. I don't think that in the first three items listed by the Department of Commerce textiles fell into either the machinery or the transportation equipment or the oil categories. I was in Geneva, sir, when I saw that in the newspaper, but I believe that the Commerce figures released last week by the Commerce indicated that machinery was the No. 1, at the current rate, cause of our deficit, if you will, transportation and related equipment was No. 2, and oil, No. 3.

Mr. JENKINS. So oil has dropped to No. 3. We can't lay all of our problems to oil now.

Let me ask you, when you were giving Mr. Holland the figures of imports, comparing the last 4, 5, or 6 years with 1972, I believe, what about the value of imports? They have constantly gone up, have they not, in the textile field?

Mr. SMITH. You asked as to the value of imports?

Mr. JENKINS. Yes.

Mr. SMITH. Have they gone up?

Yes, the value of imports has gone up, and the value of exports has gone up. There is obviously an inflation factor here, and it has also been true that since the United States embarked on its quota restraint programs, and especially since 1971 when we negotiated multifiber agreements, those countries under quota have tended to shift from the lower value items to the higher value items.

Mr. JENKINS. My figures indicate that the 1978 estimate, as far as textile and apparel imports, a value increase from 5.9 to 7.2 in the 1978 estimate. The thing that bothers me, that you are using 1972, and I heard your explanation as to why, but, of course, you have to recognize, or don't we have to recognize, that we had a terrible recession during the interval and therefore obviously the marketplace here would not be as good as it would have been in 1971 or 1972?

Mr. SMITH. Well, sir, with regard to the value, we would be glad to provide you with specifics. I believe we have provided this subcommittee before with statistics on value added. We can provide this in both current and constant dollars with regard to value.

Mr. JENKINS. It appears to me that the figures for the first few months of 1978 are so high, reflecting an obvious increase of significant proportions, that this may be primarily because the economy is just now beginning to get back to where it ought to be; that during 1973 and 1974, there simply was not a market as there is today, so your figures may not truly reflect, take into consideration, this downgrading of purchasing power during the mid-1970's.

Mr. SMITH. I don't have a problem with that, sir. I think our economy, as we used to say at least when I first came into the textile business, that textiles were the classic case of FIFO, first in and first out, first into recession and first out of recession.

I don't know if that is true. I have made no study on it myself. But I think it is true that as our economy rebounds from the recession levels, that both domestic production and imports increase.

Mr. JENKINS. You answered a question a few moments ago, as far as how the bilaterals, the new bilaterals, are operating. I notice from the information that I have from the report of the subcommittee that half of our imports come from just four countries with which we have bilaterals, and that is Hong Kong, Japan, Taiwan, and South Korea.

Now we have entered into new bilaterals already, I believe, with Hong Kong, South Korea, have we not?

Mr. SMITH. That is correct, and Taiwan.

Mr. JENKINS. And Taiwan.

So if half of our imports come from these three countries, and if we have new bilaterals that ought to be operating properly, why are we getting such a tremendous increase in 1978?

Mr. SMITH. I tried to refer to at least part of the reason. As I say, we don't have a full analysis of this at present because there is always a lag between import figures, between the shipments and the import figures. It is true that probably close to 60 percent of our total imports come from the four suppliers you have mentioned, and probably close to 50 percent or a little less from Hong Kong, Korea, and Taiwan. But as I also tried to indicate, we believe that there was substantial, perfectly legitimate and legal allocation and shipment of what might have been otherwise unused quotas in the last 3 months of 1977 by those three suppliers, and as I say, we have always judged performance reports of those countries on a date of export basis. Even if the import comes into the United States 4 or 5 months after the previous agreement year, it is charged as to the time it was exported from that country, and we are seeing a large amount of that.

Mr. JENKINS. So we can tell better toward the end of the year, really.

Mr. SMITH. Yes, sir.

Mr. JENKINS. So why shouldn't we delay a little while on this MTN to see how we are really operating?

Thank you, Mr Chairman.

Mr. VANIK. Mr. Frenzel.

Mr. FRENZEL. Thank you, Mr. Chairman.

I would like to thank both of our witnesses for their excellent testimony.

You indicated that we export $2 billion worth of textiles.

What is the apparel and textile balance deficit for the most recent year?

Mr. SMITH. What is the deficit in apparel, sir?

Mr. FRENZEL. In apparels and textiles for the most recent year. I guess I have it here.

Excuse me, it indicates, at least in my figures, that the textiles exports and imports are almost a wash, and that the deficit occurs mostly in apparel.

Is that somewhere near correct?

Mr. SMITH. Yes.

Mr. FRENZEL. So we really have two different problems, don't we?

Mr. SMITH. Yes, sir.

Mr. FRENZEL. And that the United States has relatively modern plants with respect to textile production and is pretty well positioned for the coming decade. But in apparel we are subjected to great difficulties because of labor cost variations.

Is that the principal?

Mr. SMITH. Yes, sir, I think it is safe to say that the American textile industry, the mill sector, is the most efficient in the world, or to put it another way, no country is more efficient than we are in the mill sector. In the apparel sector, which is equally efficient, there are substantial differences in labor costs between us, let's say, on the one hand, and Taiwan on the other.

Mr. FRENZEL. So we are really talking about two problems instead of one problem.

Mr. SMITH. Yes.

Mr. FRENZEL. There are two completely different issues.

Mr. SMITH. And we tried to take this into account in our MTN textile and apparel offer reflecting that difference, as well as in the bilateral agreements that we negotiated.

Mr. FRENZEL. How do our tariff rates on apparel and textiles compare with those of our trading partners?

Mr. SMITH. Which trading partners are you speaking of?

Mr. FRENZEL. The EC, Japan.

Mr. SMITH. Ours are significantly higher, sir.

Mr. FRENZEL. And they have been so?

Mr. SMITH. Yes, sir.

Mr. FRENZEL. And I suppose the difference is that our markets, while we may have higher tariffs, are more accessible probably than theirs?

Mr. SMITH. With respect to nontariff barriers, yes, sir.

Mr. FRENZEL. And the reason that you are resisting our colleagues' bill is that our people felt they simply could not continue or complete negotiations unless we put something on the table with respect to textiles at the request of the other parties in the bargaining agreement, and there was no way we could resist that if in fact we wanted to make an overall agreement?

Mr. SMITH. Yes, sir.

Mr. FRENZEL. And you are still of that opinion?

Mr. SMITH. Yes, sir.

Mr. FRENZEL. Do you speak at all about the problems of administering quotas? Has that got anything to do with your area of endeavor?

Mr. SMITH. Happily, sir, that is Mr. Shepherd's responsibility. Would you like to ask the question of him?

Mr. FRENZEL. I would like to pursue that just a minute.

Is it as difficult an administrative task as I have been led to believe to adminster the quotas?

Mr. SHEPHERD. Sir, I don't know what you have been told, but, yes, it is equally difficult.

Mr. FRENZEL. It is, of course, an exception procedure within the customs process, and it seems to be done by hand as against the normal computer application. It seems to me it must cost about as much for each shirt as the shirt is worth to get it through that cumbersome process.

Mr. SHEPHERD. I wouldn't think the cost is that high. We must monitor 18 agreements and must control these agreements for both textiles and apparel. This involves the Customs Service, and the Commerce Department as well as members of the other agencies who are involved in the implementation process.

I sense where your question is going, but I would say; no, it probably doesn't cost as much as the shirt is worth. But, it is an involved process.

Mr. FRENZEL. I thank you.

Getting back to Mr. Smith, then you feel that it would be difficult to complete an international negotiation if we announced an unwillingness to go ahead and make at least some movement in apparel and textiles?

Mr. SMITH. Yes, sir.

Mr. FRENZEL. Thank you very much, Mr. Chairman.

Mr. VANIK. Mr. Steiger has a question or two.

Mr. STEIGER. Thank you, Mr. Chairman.

Could I ask, I suppose, either Mr. Smith or Bob Shepherd, one or the other of you, how does the safeguards impact on textiles imports-exports? Where are we going and what effect does the safeguards code have?

Mr. SMITH. Sir, the position of the United States Government is that whatever code is agreed to at the MTN on safeguards will not impinge on the MFA. That may be an awkward way of saying it. Our position has been that the MFA has been a GATT-agreed way of handling the textile and apparel problem for those participants, and that the safeguard code must recognize this, and that whatever is agreed on safeguards is done so without prejudice to arrangements such as the MFA.

Mr. STEIGER. Go through that again, Mr. Smith, because I am not sure that I heard you.

Are you saying, and does the European Community agree with that position, that a safeguards code will not apply to the multifiber agreement?

Mr. SMITH. Yes, sir.

Mr. STEIGER. Fascinating. I didn't get that message from the Community in their effort to achieve selective safeguards.

It is fairly clear, is it not, that France and Britain, both in their very real push to get a unilateral selective safeguard procedure, not a multilateral selective safeguard, but rather one that is to be imposed unilaterally, believe that textiles will be the first target.

Where did I misread the Community?

Mr. SMITH. I don't know. Sometimes it is rather easy to misread the Community. I have been caught a couple of times myself, but as I understand it, sir, in consultations with the people in Geneva on our side who are negotiating the safeguard codes, that there has been agreement, if you will, that items such as the MFA are not to be prejudiced by the safeguard code.

You have to remember that while I am no expert on the safeguards code and the element of selectivity and unilateral selectivity, that the MFA criteria are different than the criteria, as I understand it, which are proposed in the safeguards code.

We have not the element of serious injury in the MFA as in the safeguards code, as I understand it. We have the element of market disruption, which is different.

Mr. STEIGER. But it would be fair, would it not, to presume that a safeguards code could be applied against nonsignatories of the MFA?

Mr. SMITH. Yes. Again you catch me out of my bag somewhat. You have that right under the MFA. You can take article III action against any signatory or nonsignatory of the safeguard code.

Mr. STEIGER. Yes, you can take article III action, that is correct.

Mr. SMITH. Right, which is unilateral action.

Mr. STEIGER. I will ponder that because, as I say, I got a very——

Mr. SMITH. I would like to ponder it too.

Mr. STEIGER [continuing]. Distinct impression from our friends on the other side that they were not approaching it from quite the same position as you have just stated it.

My understanding at the moment is that Hong Kong is clobbering us. What are we going to do about Hong Kong?

Mr. SMITH. Clobbering us where?

Mr. STEIGER. In textiles, in terms of a substantially increased rate of imports to the United States or exports to the United States.

Mr. SMITH. Our initial analysis, sir, is that that is not so. If I understand—I haven't seen the figures for a couple of weeks—if I understand it correctly, we have made an analysis of their spacing of shipments under the new agreement. As you know, they work under an export authorization system in which they must notify us every week of exports in categories not having specific limits. But if I could, sir, maybe I could ask Mr. Garel, who is responsible for the day-to-day implementation, if he could answer that question more precisely than I.

Mr. STEIGER. Mr. Garel.

Mr. GAREL. Most of the imports we are receiving are from the three major suppliers. Their spacing is just about on target; that is, the big increases that we appear to be receiving from these countries are from the last agreement year. The analysis that we have made indicates that we received much more from these countries that was shipped out in the last few months of the previous agreement year than we received in previous years. This amount is running two to three times higher from the last agreement year in this calendar year than we would ordinarily have received.

Mr. STEIGER. Two to three times higher?

Mr. GAREL. Pardon me?

Mr. STEIGER. Two to three times higher?

Mr. GAREL. Yes. For example, of the imports from Taiwan in the first 4 months of this year, 92 million yards were exported last year and are chargeable to last year's agreement. This compares with 35 million yards received during the first 4 months of last year that were chargeable to the 1976 agreements. The imports in the first few months of the year are showing up higher, but they are not actually higher in terms of the agreements. Because of this, there should be some slight slowdown toward the end of the year, in terms of how they are shipping so far this year, under the present agreement.

Under this year's agreements, they are not shipping at a faster rate than they should be shipping.

Mr. STEIGER. But they are still shipping at a significantly higher rate than they did last year?

Mr. GAREL. I am not sure that——

Mr. SMITH. We haven't gone that far back, sir, because we changed category systems effective January 1, 1978. So we would have to go back and look at their shipment rates from 1976 into 1977, the last few months of 1976 into 1977 under a translated, if you will, category system which would equal the new category system and compare it with the shipments which they are shipping to us which we are receiving in 1978 but were shipped to us in 1977.

There was a complication in this matter, that is, that our agreements with Hong Kong and Korea went through September 30 of 1977. We had to extend the agreements 3 months so that we could phase in, into the new category system, on January 1, so there are some aberrations. But our first analysis is that, as far as Hong Kong shipments beginning January 1, 1978, under the new agreement, that there has been no significant departure from their previous shipment patterns for the same period, let's say, in 1977.

Mr. STEIGER. What is going to happen in terms—perhaps somebody asked this, Mr. Chairman, and if they did, I will pass and that will be the last question—what do we see happening in terms of China, the People's Republic of China, and at what point will controls on exports from the PRC be established?

Mr. SMITH. The matter of shipments from the People's Republic of China, I think it is safe to say, in this public session, is receiving very high level attention within the U.S. Government. I personally have discussed this with Ambassador Strauss. I believe it has been discussed elsewhere within the various agencies of the U.S. Government at very high levels. We recognize the problem.

Mr. STEIGER. You have discussed it.

The question is, what are you going to do about it?

Mr. VANIK. We have been discussing it since 1973, haven't we? It is about the same answer we have always had.

Mr. SMITH. Yes, Mr. Chairman, I recognize that. The Committee for the Implementation of Textile Agreements has, on several occasions, made recommendations to previous administrations to take appropriate action. Nothing was acted on.

For a while in 1977 actual imports from the PRC were declining. They have been going back up recently, and we have, shall I say, put that issue on the front burner.

Mr. VANIK. It has simmered a long time.

Mr. SMITH. Yes.

Mr. VANIK. Sometimes on the back burner, sometimes on the front burner.

What I hope we will do is put a cap on it at some point, forget the simmering.

Mr. SMITH. We are well aware of that, Mr. Chairman.

Mr. STEIGER. Thank you, Mr. Chairman.

Mr. VANIK. Thank you very much.

I want to express our gratitude to you, Mr. Smith and Mr. Shepherd and your associates, for being here. I know Mr. Smith and Mr. Shepherd flew in from Geneva to be at the hearing. We hope you get right back and take with you some of the reactions of the subcommittee. We certainly appreciate that.

Thank you very much.

Mr. SMITH. Thank you, Mr. Chairman.

Mr. VANIK. Is Congressman Cohen here? Bill, we are very happy to have you with us. We will be happy to have your statement.

STATEMENT OF HON. WILLIAM S. COHEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. COHEN. Thank you. I can see the sun has been shining just as intensely in Wisconsin and Michigan as it has in Maine.

Mr. VANIK. It did not shine in Ohio. We just have recalls.

Mr. COHEN. It seems to me that the issue before this committee is one of preventive medicine. We have the chance to insure the health of the domestic textile industry. There is no doubt that this sector is worth saving. It is one of the Nation's largest employers, especially of the economically disadvantaged. The textile industry is also one of the Nation's most competitive sectors. But if we do not act firmly we may be administering the poison which leads to the industry's demise.

I would like to share some facts about the textile industry in my own State of Maine. Four years ago, the Maine textile industry was in serious trouble. Close to 9,000 textile workers—more than 5 percent of Maine's work force—were officially unemployed. At many mills, layoffs totaled more than 90 percent. Some mills moved out of the State. Others did not make it that far; they went bankrupt.

No one could blame all of the troubles of 1974 on textile imports. It was a recession year, to be sure. But every plant manager in Maine with whom I recently communicated said that textile and apparel imports, combined with barriers blocking American exports, were by far the largest factor.

Fortunately, many of the Maine mills and their employees pulled through that year. But they did so only at tremendous cost—to themselves and to the taxpayer. Unemployment insurance payments for out-of-work textile employees ran into hundreds of thousands of dollars in Maine. Just one firm, which had lost half its equity, needed over $1 million to restart its operations. Even with the strict criteria imposed by Federal programs, it was granted its full readjustment asistance request by the Economic Development Administration.

The people of Maine do not like to complain. Frankly, I do not get hundreds of letters each day criticizing textile imports. But despite the recovery from 1974, the textile business in my State remains in a precarious position. Unemployment among textile workers is about twice that of Maine's economy as a whole. Firms in my district must invest millions each year, more than half their annual revenue, in new machinery that will allow them to manufacture products that do not have to compete with foreign textiles. This last phenomenon is all the more amazing when managers in Maine report that investment would be even greater were it not for the threats of increased imports. And one company claims that it lost more than a half million dollars in revenue because of trade barriers blocking American textiles and apparel from Europe and South America.

The statistics for the first 4 months of this year show that textile imports have increased by one-third over the same period last year. This rapidly increasing flow of imported textiles makes me question whether we are headed for another 1974.

In the face of this evidence it is profoundly ironic that the President's Special Representative for Trade Negotiations, Robert Strauss, is considering proposals to lower rather than raise the level of protection for the American textile industry. This body has the opportunity to remove textile tariffs from discussions at the Geneva trade negotiations. I urge it to do so. Moreover, we must remind the President to conclude bilateral agreements with nations whose exports are not currently subject to regulation. Finally, in order to stem the wave of geometrically increasing imports which is dislocating our economy, it may be necessary to encourage the administration to renegotiate the bilateral agreements with those countries whose exports have grown most quickly.

We are all taught to honor the concept of free trade. But we would be fools to blindly worship before an altar of simplistic comparative advantage. Markets are imperfect. Gross instabilities, such as are now occurring in the textile industry, lead to their own inefficiencies and impose severe hardship on those least able to bear it—the minorities and women who make up a disproportionate share of textile workers.

The textile industry is highly complex, but each of its subdivisions shares a problem: imports. I seems to me that if we were to carefully study the final costs of permitting increased textile imports we would vote to maintain or increase tariff levels, rather than wait for the crisis to come. For by then, the only thing to do is to pay the funeral bill.

Mr. VANIK. Thank you very much, Mr. Cohen.

Mr. Holland.

Mr. HOLLAND. I want to thank our colleague for this excellent statement. It places emphasis on an area which we have had difficulty focusing attention, that is, that this is a national problem. It is not a problem confined to the Southeastern part of the United States; it impacts the entire national economy. And we are grateful to you, sir, for bringing this excellent statement in and assisting us in trying to give a little preventive medicine, as you put it, to what we think is a misguided area of our trade policy.

Mr. COHEN. Thank you, Mr. Holland.

Mr. VANIK. Mr. Vander Jagt.

Mr. VANDER JAGT. Thank you, Mr. Chairman.

I would like to join in commending our colleague in putting the problem into perspective in a few well-chosen words. Very well done. And also to commend my friend for recognizing that sunshine floods into Michigan almost as abundantly as textile imports flood into the American economy.

Mr. VANIK. Mr. Jenkins.

Mr. JENKINS. Thank you, Mr. Chairman. I, too, would like to compliment our colleague for a very well prepared statement. I think he places the entire dilemma that we are in in proper perspective. What we are talking about is the survival of one of the most basic and important industries of the entire country, not just one portion of the country, and I thank you for your statement.

Mr. VANIK. Mr. Frenzel.

Mr. FRENZEL. Thank you, Mr. Chairman. I would like to thank the witness, as well, for giving us all the fastballs and slow curves this morning, and thank him for his excellent testimony.

Mr. VANIK. Thank you very much. We very much appreciate your statement before the committee.

Mr. COHEN. Thank you, Mr. Chairman.

Mr. VANIK. We now have the manufacturers' and producers' panel. You may take your chairs at the panel table. Mr. Small, president of the American Textile Manufacturers Institute, also representing the American Yarn Spinners Association, National Association of Hosiery Manufacturers, National Knitwear Manufacturers, the National Wool Growers Association.

The American Apparel Manufacturers Association, Mr. Blitch, member of the board of directors.

The National Cotton Council, Mr. Mann.

The National Knitted Outerwear Association, George Vargish.

The Northern Textile Association, Mr. Kenneth V. Chace, and William F. Sullivan, President of Berkshire Hathaway.

The Clothing Manufacturers Association of the United States of America, Mr. Chester Kessler, accompanied by Bernard Ferster, counsel.

The Work Glove Manufacturers Association, Earl S. Rauen, president, and Paul Schulz, executive director.

The Cordage Institute, Mr. Robert J. Keefe, executive director.

The Man-Made Fiber Producers Association, Maurice Winger.

And the Textile Distributors Association, Mr. Irving Kaplow, the chairman of the board.

We will proceed in the order in which I have announced the membership of the panel, and questions will occur after the completion of all of the testimony of the panelists.

Mr. HOLLAND. Mr. Chairman, I am advised that Mr. Small is going to make a statement, rather comprehensive and somewhat longer than the other members of the panel, so I would ask unanimous consent that he be given 10 minutes instead of 5.

Mr. VANIK. Is there any objection? I see none. We understand that. We will be very happy to accommomdate the full testimony that Mr. Small has in mind. We will proceed with the testimony of Mr. Small.

STATEMENT OF ROBERT S. SMALL, PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE, ALSO REPRESENTING AMERICAN YARN SPINNERS ASSOCIATION, NATIONAL ASSOCIATION OF HOSIERY MANUFACTURERS, NATIONAL KNITWEAR MANUFACTURERS ASSOCIATION, AND NATIONAL WOOL GROWERS ASSOCIATION, ACCOMPANIED BY WILLIAM KLOPMAN, CHAIRMAN, INTERNATIONAL TRADE COMMITTEE, ATMI

Mr. SMALL. Thank you very much, Mr. Chairman, and Congressman Holland and other Congressmen present.

I am Robert S. Small, president of the American Textile Manufacturers Institute, and chairman of the board of Dan River, Danville, Va. With me today is William Klopman, chairman of the International Trade Committee, ATMI, and chairman and chief executive officer of Burlington Industries.

I should like to summarize my remarks, and as Congressman Holland has indicated, the National Wool Growers, the American Yarn Spinners, the National Knitwear Manufacturers, and the Clothing Manufacturers have yielded their time to me today, and with your indulgence I will exceed the 5 minutes allotted.

I request that the full text of my testimony be placed in the record.

However, on behalf of the industry and labor represented here, we welcome the opportunity to submit additional comments at the conclusion of the hearings.

I am here today on behalf of the textile mill products sector of the U.S. fiber-textile-apparel industry. The members of the ATMI account for 85 percent of the yarn, fabric, and household textiles produced in U.S. textile mills. We greatly appreciate the opportunity to appear to testify in support of H.R. 10853 and other bills identical to it which have been introduced by 168 Members of the House. That this legislation has received such overwhelming and geographically widespread support is a recognition of the major role played by the fiber/textile/apparel industry in the American economy.

This industry stands at the precipice as never before in its almost 200 years of service to our country. A train of events has been set in motion in Geneva by our Government which, unless stopped by Congress, will place our industry's future in serious jeopardy. The Geneva trade negotiations are targeted to cut substantially tariffs on fiber, textiles and apparel products. Some of the international codes being negotiated in Geneva could well spell serious trouble for our industry. We have appealed to the administration to be exempt from the contemplated tariff cuts. Our appeals have fallen on deaf ears.

While these negotiations are going ahead, we find that our industry's position has deteriorated badly, and I ask you to witness these facts.

The textile apparel trade deficit in 1977 was a record of $3,400 million. In the first 5 months of 1978 alone, the trade deficit was 83 percent ahead of the deficit for the first 5 months of 1977, and is running at an annual rate of $4,400 million. In the 12 months ending May 1978, the textile apparel trade deficit was 48 percent higher than in the preceding 12-month period.

Gentlemen, we do not care when the shipments were made or whether they are related to the dock strike. The shipments are total, and we are being clobbered by the total amount.

Going on, imports now supply over 50 percent of the U.S. market for many important products of our industry. Textiles and apparel imports in the first 5 months of 1978 were 23 percent above the same period in yardage terms. Apparel imports in 1977 were the highest on record. They were 25 percent higher than the first 5 months in 1978 than in the same period a year earlier. The unemployment rate in 1977 was 7.6 percent in textiles and 10 percent in apparel, compared to the 6.7 percent rate in all manufacturing.

In June of 1978, 365,000 textile and apparel workers were out of work or on short time. The aftermath of substantial tariff cuts in textiles and apparel will certainly be a much greater influx of imports, a great loss of jobs, a deterioration of confidence in business and in even the most robust segment of our fiber/textile/apparel industry.

The danger to our industry from increased import pressure is quite apparent, particularly when viewed against the background of recent import trends. In 1977 imports of textile and apparel products were the highest since 1972 on a square-yard-equivalent basis. Expressed on a poundage basis, 1977 imports were at an all-time high. This deteriorating trade situation, it should be emphasized, has occurred despite the existence of the multinational multifiber arrangement.

This deterioration has occurred after the recent strong commitment by the executive branch to get tough in bilateral agreements negotiated pursuant to the multifiber arrangement.

Worst of all, this deterioration of trade has occurred well before a single tariff has been cut as a result of the MTN.

We know from experience at the Kennedy round what the likely effects will be of tariff cuts on textiles and apparel in the MTN. Between 1967 and the year in which the Kennedy round was concluded—that is, 1972, the final year in which tariff cuts were phased in—textile and apparel imports increased by 140 percent, from 2,600 million to 6,200 million square-yard-equivalents.

During this period imports grew annually three times as fast as the domestic market.

I would like to digress here just a second, and answer Minister Smith's question, and the statement that there has been no growth in textiles from 1972 to 1977. In answering that, I would like to say that any one year can be chosen which will create an aberration, and we think that this is the case.

Nineteen seventy-two reached a high point. It was a point when other governments were preparing and shipping in excessive imports into the United States, in order to have a higher quota during the MFA agreements. It would be much more conservative to have taken the years 1967 to 1977, when there was an average annual growth of 7.2 percent, or we should take the years 1974 to 1977, when there was an annual compounded growth in pounds of 12.3 percent. In 1974, the pounds imported were 1,028,000, and in 1977, they were 1,402 million. So that is an increase of 12.3 percent; so anyone can see that we can take 1 year and make a complete aberration of statements.

Going on to my prepared text, aside from import growth and the employment effects, it is clear that tariff cuts will allow imports to further undersell U.S. producers. The U.S. producer must meet price cuts or lose business. Thus, the moderate profit rate of 4 5 percent on sales before taxes, which the textile industry earned last year, would be seriously lowered.

In 1974, 40 percent of the U.S. textile companies and almost an equal percentage of apparel firms were already operating at a loss. Given the impact of increased costs, many of which are mandated by U.S. Government regulations, and further price cuts which will result from tariff reductions, many firms will be forced to fold. How long can an industry survive under circumstances of increased cost and reduced prices?

It is illusory to assume that the Trade Act safeguard provisions can come to the aid of firms and workers in these industries, should the reduced tariffs lead to damaging import surges. The promises of the Trade Act of 1974 have not been matched by performance, simply because of the recalcitrance of the executive branch in implementing the clear congressional mandate.

Congress theoretically made it easy for the industry and their workers to secure import relief from injurious imports by the liberalization of the criteria for such relief in the escape clause sections of the Trade Act, but only 4 U.S. industries out of 31 that have gone through the laborious process of the escape clause have actually received any relief.

Thus we feel strongly, based on the record to date, that injury resulting from tariff cuts in Geneva negotiations will not be easily remedied through the resort of the escape clause.

Insofar as the textile and apparel industry is concerned, its vulnerability as a labor-intensive industry to low-wage foreign supply has long been acknowledged by the U.S. Government. Notwithstanding its intent, it is clear that the MFA and the 18 bilateral agreements negotiated under it have not been successful in containing the relentless upsurge in imports. The multifiber arrangements allow for an annual growth rate of 6 percent, but in fact much higher levels have been apparent, particularly for apparel products.

Between 1966 and 1977, according to the Federal Reserve index of industrial production, U.S. apparel output grew by only 2 percent per year, and textile production grew by only 3.3 percent. On the other hand, as I have stated earlier, the growth rate for textile and apparel imports in this period has been much higher, an average annual rate of 7.2 percent.

MFA is a helpful but to date largely inadequate import relief mechanism. It has proven to be a highly inelastic arrangement, in that whether or not the domestic market is contracting, and irrespective of the U.S. business cycle, imports are permitted to grow by at least 6 percent a year.

Its weakness as an import-relief mechanism, however, is also due to the liberal interpretation by the United States of the MFA's technical features, in terms of administration and enforcement. Controlled suppliers are allowed flexibility through shifts among categories, borrowing from the following year's restraint levels, and carrying over a portion of unused levels from one year to the next. This can increase ceilings for one category in one year as much as 17 percent.

When ceilings are reached and goods are embargoed upon reaching the United States because many exporting countries do not effectively control their exports, the United States often relaxes the embargo, allowing the goods to enter, and deducting the amount from the following year's ceiling.

It is the Far East textile cartel, dominated by Japan, and including Hong Kong, Korea, and Taiwan, which consistently supplies more than one-half of our total textile imports, while denying us any meaningful access to their textile markets.

Already our textile trade deficit with the Far Eastern bloc this year exceeds $2 billion, and is growing, despite the yen-dollar relationship. We can readily understand why President Carter asked Ambassador Strauss to address the Japanese problem.

In yesterday's paper, it was noted that in the first 4 months of the year the Japanese trade surplus widened to $4.3 billion from nearly $1.7 billion, in spite of the appreciation of the yen, which is now approaching 200 to the dollar.

More important is the fact that the MFA does not control all imports, and uncontrolled suppliers are not put under control fast enough to prevent them from gaining a significant portion of the trade before they are put under control.

A new textile power is arising in the Far East, the People's Republic of China, which is currently shipping to us at an annual rate in excess of 200 million square yards, and this trade is totally one way, even at the present extra-high tariffs applied by the United States to Chinese imports.

This point needs especially to be emphasized, since the possibility of substantial increases in imports of textiles from exporting countries not covered by any bilateral agreement is a real danger as a direct consequence of any cuts in U.S. tariffs. The United States can take forcible actions to control shipments from countries not covered by bilateral agreements. However, the record to date of the executive branch enforcement action is hardly reassuring to our industry for the future.

Despite the MFA, tariff cuts in textiles and apparel hold a real threat that uncontrolled shipments can lead to disruption of the market.

An equally serious problem for the U.S. textile and apparel industry is the intense pressure from various quarters, both foreign and domestic, to increase restraint levels on controlled countries, which has led to acquiescence on the part of our executive branch in the past. If existing tariffs are cut, we can expect even stronger pressures to relax these controls.

It is well documented that the restraint levels on textiles and apparel products represent a substantial overhang above the actual import levels, probably at least 30 percent, allowing many countries room for major increases in imports without violating any provision of the bilaterals which are in effect. This is occurring even before tariffs are cut. If tariffs are cut, the situation will obviously be exacerbated.

It is for all of these reasons that we are deeply concerned as an industry over the Geneva trade negotiations. The Trade Act fortunately requires all of the international codes to be specifically approved by Congress before they become effective. This is not the case, however, with tariff reductions. H.R. 10853 is designed to deal with that problem.

We are struck by the fundamentally unfair and inequitable trade policies of our Government, which under section 127(b) of the Trade Act of 1974 exempts from tariff cuts those products which receive import relief under the "escape clause" or the "national security clause," but does not accord the same exemption to products receiving import relief under section 204 of the Agricultural Act of 1956.

The theory behind the exemption provision of section 127(b) of the Trade Act with regard to industries receiving import relief under the "escape clause" and the "national security clause" is eminently sound. It does not make sense to extend import relief to an industry and then vitiate that import relief by cutting tariffs on that industry's products, but if this theory is sound for footwear, specialty steel, color television, and CB radios, why is it not equally sound for textiles and apparel?

Our industry received import relief in the form of orderly marketing arrangements—the MFA and the 18 bilaterals. This is a recognized form of import relief under the "escape clause." So did footwear, specialty steel, color television, receive import relief in the form of orderly marketing arrangements.

These industries, however, are automatically exempt from tariff cuts, but textiles and apparel are not. Is this fair? Is this equitable trade policy? We have heard and we have read arguments put forth by the administration on why H.R. 10853 should not be passed. We believe these arguments are spurious.

First, we hear that if the bill is passed, it would kill the MTN. Then we hear that the fiber/textile/apparel industry need not worry about tariff offers made in Geneva last January on the products of our industry, since they would amount to only a small percentage reduction. We are truly confused, because if tariff cuts on textile and apparel are so small, we wonder why exempting these products from the MTN will kill the negotiations.

We believe that, contrary to what the administration says, that H.R. 10853 will not kill the trade negotiations, and that the textile and apparel offers are not so small as we are led to believe.

Most of the present disruption to our industry comes from imports from developing countries and from Japan. These countries are not making anything but token offers, if that, at Geneva. There is no reciprocity expected from the developing countries.

Under these circumstances, why cut our tariffs to increase the injury we suffer from imports from these countries? How could the failure of the United States to cut its textile and apparel tariffs cause these countries, who are giving us nothing of consequence to begin with, to kill the trade negotiations?

On the issue of the small percentage reduction in our tariffs we are told we will face, I think we are dealing with a serious problem of semantics. An offer to cut textile tariffs by 1 or 2 percentage points per year for 10 years means cuts of from 40 to 60 percent from present tariff levels on a large number of textile mill products. I repeat, it is not 1 or 2 percent, it is 40 to 60 percent. It spells disaster for our industry and for our workers.

It has also been suggested that our industry will benefit from increased exports if foreign textile and apparel tariffs are cut at the same time ours are reduced. We cannot accept this as a reasonable, viable alternative. Why should we think for a moment that the same foreign suppliers who are vigorously competing with us in the U.S. market will be less vigorous in competing for and capturing other foreign markets whose access will be made easier by tariff reductions, particularly as world markets, because of overproduction, are awash with textiles?

Under all of the circumstances which I have cited for this subcommittee, there is no question that the fiber/textile/apparel industry now stands at a critical point in time. If tariffs on the products of our industry are permitted to be cut, as the executive branch is now planning, we perceive substantial increases in imports and an even greater trade deficit, reducing sales and production by American firms, more workers out of work, a serious reduction in profits, and indeed losses and the closing of plants.

Our industry and its almost 2.5 million workers want to continue to contribute in an ever-growing way to our country's economic growth and prosperity. H.R. 10853 can make the difference as we come to this moment of truth. We urge the members of the subcommittee to report it out favorably, and to work for its passage at this session of Congress. It is our only hope.

I thank you very much, Mr. Chairman. If you will grant me just 1 more minute, in your original question, you asked to speak about the so-called favorable or break-even balance of trade in fiber and textile products. I would like to say here that again we need to look at a period not 1972 to 1977, we need to look at a period 1967 to 1977 or 1974 to 1977, or even, indeed, to 1978, where there has been a substantial negative balance of trade in these two products. But more important, this is a total industry. We would have no textile industry if we had no apparel industry. We would have no apparel industry if we had no textile industry.

We have seen a downstream impact as far as imports are concerned. There has been a downstream impact from fiber to fabric to garments. Now, when we reach garments, which are the tremendous import segment today, we eliminate a garment worker, a textile worker, and a fiber producer. Three people are eliminated at this time, and the trend, of course, has been to garment imports.

You might take further technical aberrations. Yarn, for instance. We export thread, which has a high dollar content, which tends to cover up the deficit in the pounds imported. We import considerably more pounds of yarn. This is just one illustration, that you cannot take one figure and utilize it. But I say again, the very fact that the growing overall impact which we are seeing today of a deficit balance of trade of $4,400 million, and the effect of that on our national inflation, is a subject of serious concern to all of us.

I thank you very much for giving me the opportunity of representing my industry.

[The prepared statement follows:]

STATEMENT OF ROBERT S. SMALL, PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE

I am Robert Small, President of the American Textile Manufacturers Institute, and Chairman of the Board of Dan River, Inc., Danville, Virginia. I am here today on behalf of the textile mill product sector of the U.S. fiber/textile/apparel industry. The members of the ATMI account for 85 percent of the yarn, fabric, and household textiles produced in U.S. textile mills.

We greatly appreciate the opportunity to appear today to testify in support of H.R. 10853 and other bills identical to it which have been introduced by 169 members of the House, according to the latest count. That this legislation has received such overwhelming and geographically widespread support is a recognition of the major role played by the fiber/textile/apparel industry in the American economy.

There are 29,000 textile and apparel plants with at least one plant in every state of the Union but with concentrations in several of the metropolitan areas of the Northeast and in some of the more rural areas of the Southeast. The industry is the largest employer of labor in manufacturing in the United States with almost 2½ million workers, one out of every 8 jobs in manufacturing. We provide jobs to people with a wide range of skills, to many who are considered disadvantaged in today's world, to minorities, and to women. The industry is the major customer of 330,000 cotton farmers and 100,000 wool growers spread throughout a large part of our country. The industry is an important customer of the chemical industry and of the transportation industry.

In short, ours is an industry clearly basic to the health and growth of the American economy. We are proud of the contributions our industry has made to the economy. We want to continue to make a growing contribution to the economic growth of our country.

The support for this legislation is undoubtedly also in recognition of the fact that this industry stands at the precipice as never before in its almost 200 years of service to our country. A train of events has been set in motion in Geneva by our government which, unless stopped by the Congress, will place our industry's future in serious jeopardy. The Geneva trade negotiations, according to all of the advice we have received, are targeted to cut substantially the tariffs in Schedule 3 of the U.S. Tariff Schedules which covers the products of the fiber/textile/apparel industry. Some of the international codes being negotiated today in Geneva could also spell serious trouble for our industry. We have appealed to the Administration to be exempted from the contemplated tariff cuts. Our appeals have fallen on deaf ears.

While these negotiations are going ahead we find that our industry's position has deterioriated badly. Witness these facts:

The textile/apparel trade deficit in 1977 was a record $3.4 billion.

In the first five months of 1978 alone, the trade deficit was 83 percent ahead of the deficit for the first five months of 1977, and is running at an annual rate of $4.4 billion.

In the twelve months ending May 1978, the textile/apparel trade deficit was 48 percent higher than in the preceding 12-month period.

Imports now supply over 50 percent of the U.S. market for many important products of our industry.

Textile and apparel imports in the first five months of 1978 were 28 percent above the same period last year in yardage terms.

Apparel imports in 1977 were the highest on record. They were 25 percent higher in the first five months of 1978 than in the same period a year earlier.

The unemployment rate was 7.6 percent in textiles and 10 percent in apparel in 1977, compared to a 6.7 percent rate for all manufacturing. Although current figures have moved lower, imports have been growing so dramatically that 365,000 textile and apparel workers were still out of work or on short time in June 1978.

It is against this background and for the reasons I will detail to you now, that the ATMI joins with other industry groups and the two labor unions in the field of textiles and apparel to support H.R. 10853 and the other bills identical to it. We strongly urge this subcommittee to report this bill out with a favorable vote.

CONTEMPLATED TARIFF CUTS WILL HAVE ADVERSE IMPACT

Strong debate exists among various public and private groups over the need for and advisability of tariff reductions on textile and apparel products. Yet, it is clear that the aftermath of substantial tariff cuts in textiles and apparel will certainly be a much greater influx of imports, a greater loss of jobs, and a deterioration of confidence and business in even the most robust segments of the fiber, textile, and apparel industry. Accumulating evidence from a wide range of studies documents the severe effects which could result from the MTN.

The liberalizing of tariffs on textiles and apparel would increase the already acute import pressure on the U.S. industry in several ways. First, it will be a boon to foreign suppliers in countries which are not, as yet, controlled by a bilateral agreement with the U.S. pursuant to the Multifiber Arrangement (MFA). Second, it will encourage foreign suppliers in countries which are controlled by a bilateral agreement with the U.S. to expand their actual trade up to the maximum allowed by restraint levels in those many cases where the restraint levels are not now filled. Third, it will increase pressure on the U.S. from our trading partners subject to controls under bilateral agreements to relax restraint levels, a pressure to which the U.S. has bowed time and again in the past.

When this anticipated increased pressure from imports resulting from tariff reductions is viewed in the context of recent trends in U.S. trade in textiles and apparel, the danger to our industry is quite apparent. According to the U.S. Department of Commerce, the value of U.S. imports of textile and apparel products in 1977 was far and away the highest on record, $5.9 billion, a 12 percent increase over 1976. U.S. exports of textiles and apparel in 1977 were also at record levels, but were still only 4 percent above 1976 levels. As I have stated, the net result for the U.S. trade balance in 1977 was a record deficit of $3.4 billion. This astronomical deficit was a serious deterioration from the previous record deficit of $2.8 billion in 1976.

In terms of quantity, the import situation is equally serious. Expressed in square yard equivalents, the level of cotton, wool, and man-made fiber imports of textile and apparel products hit 5.2 billion square yard equivalents in 1977, the highest since 1972. Expressed on a poundage basis, 1977 imports were at an all-time high, 11 percent above 1972. More significantly, imports in the first four months of 1978 alone have been 2 billion square yard equivalents. This pace of imports is 33 percent above 1977.

This deteriorating trade situation, it should be emphasized, has occurred despite the fact that the GATT multilateral Multifiber Arrangement to control trade in textiles has been in existence since 1974 and was recently renewed for four more years. This deterioration has occurred after the recent strong commitment by the Executive Branch to get tough in bilateral agreements negotiated pursuant to the MFA. Worst of all, this deterioration in trade has occurred well before a single tariff has been cut in the MTN.

One of the clearest statements of the damaging impact which the liberalization of tariffs on apparel and textiles would have appears in a recent study by the Brookings Instititution. The conclusions contained in that report are most unsettling. In discussing the effects of liberalizing tariffs on textiles and apparel the report states, "For the United States, Canada, and the EEC it is clear that the textiles sector is of primary importance to overall results for imports and, even more importantly, employment effects." One statistical table presented in the report showed "that the most dramatic effect of excluding textiles (from the MTN) occurs in the United States, where textiles would amount to fully one-third of the increase in total (U.S.) imports if included in liberalization. With textiles in the negotiations, a 60 percent linear cut would give the United States a negative impact of $1.4 billion on its direct trade effects." The study goes on to say that in the absence of liberalization of textiles, the effect of the MTN on the trade balance would be positive in the amount of $211 million.

Furthermore, this estimated negative impact on the U.S. trade balance, as large as it seems, grossly understates the actual results of tariff cuts on textiles and apparel. These estimates are founded upon trade levels in 1974. As shown in Table 1 serious deterioriation of U.S. trade in textiles and apparel has occurred since then. By using actual trade in 1977 the $1.8 billion estimate of the effect of liberalization of textile and apparel tariffs translates into $2.4 billion.

Thus, by invoking its full tariff-cutting authority on textiles and apparel, the U.S. negotiating team in Geneva could single-handedly place an overwhelming additional burden on the already struggling U.S. fiber/textile/apparel industry. This does not mention the net negative impact on the overall U.S. trade balance, an impact which is undeniably inflationary. That the U.S. would cling to its insistence on offering substantial cuts on textile and apparel products in view of these facts is, to say the least, disconcerting.

From the straight-forward point of view of hard-headed negotiation, the inclusion of the textile and apparel sector in the MTN simply does not make any sense. Normally, negotiations require visible benefits to make them worthwhile to either party. Yet what does the U.S. gain by adding billions to our non-oil related trade deficit?

One direct result of these trade effects will be the adverse effect on employment. A study recently done by Data Resources, Inc. (DRI) on this issue estimated that the loss of jobs directly related to production of textiles and apparel would be over 200,000 by 1985, if a 50 percent tariff cut were made. Another econometric study performed by the Amalgamated Clothing and Textile Workers Union estimated that the direct employment effects of a 60 percent cut on only thirteen specific men's and boys' apparel products would be over 14,000 direct job losses and over 24 million man-hours lost. Extrapolating these figures to all men's and boys' apparel would result in an estimated 60,000 jobs lost. And these job loss figures do not include the secondary employment effects which would be considerable.

Even the Brookings Institution report has agreed in principle on the relatively harsh effects of liberalization on the textile and apparel industry, stating that "the inclusion of textiles in liberalization would raise the total number of jobs lost to increased imports by approximately 75 percent."

There is considerable difference in the actual estimates of the employment effects of tariff liberalization between the DRI and Brookings studies caused by major differences in the models used. An analysis of these differences was filed with this Subcommittee on May 31, 1978. While we strongly feel that the DRI model is much more comprehensive and realistic, it is nonetheless quite clear that the disruption to textile and apparel workers will be massive as a result of tariff cuts in the current Multilateral Trade Negotiations.

One often-repeated argument in support of tariff cuts is that the gains to the U.S. economy from the increased trade will far outweigh the costs of unemployment and adjustment. This, in fact, was the major conclusion of the Brookings study. However, a realistic appraisal shows that the U.S. economy stands to lose if fiber/textile/apparel tariffs are cut (See Appendix 1).

A recent study by the Library of Congress on the actual price effects to consumers of lower-priced imports provided some evidence of what we in the industry have known for a long time—that, on the consumer level, there is little net price benefit resulting from imports. This simply means that the retail price to consumers for goods produced by the U.S. industry sets the price level to which import prices rise. Thus, regardless of the import price at the landed value, the importer level, the "wholesale" level or the equivalent, the U.S. consumer often pays virtually the same retail price for a given product, whether it is produced domestically or abroad.

The obvious implications for the long-term welfare of the U.S. consumer are obvious. In the event of a collapse of sectors of the fiber/textile/apparel industry, there is no assurance that the resulting dependence on foreign sources of supply would lead to constant supply, reasonable prices, or reasonable quality. We certainly do not want to see a repetition of the oil price experience.

Grandiose claims for the welfare gains from trade are at best unfounded and are more likely grossly overstated. Historical data from the post-Kennedy Round of tariff cuts shows that between 1967, the year in which the Kennedy Round was concluded, and 1972, the final year in which the tariff cuts were phased in, textile and apparel imports increased by 140 percent, from 2.6 to 6.2 billion square yard equivalents. During this period the annual growth of imports was three times as fast as the growth of the domestic market. Yet during this same period, the consumer price index for apparel items rose by roughly the same magnitude as for food, fuels, and utilities.

Furthermore, there are substantial costs to the U.S. taxpayer (who is also the consumer) from lost jobs. These costs include unemployment compensation, adjustment assistance, welfare payments, losses in corporate and individual income taxes, lost income to communities, and waste associated with the idling of productive facilities.

What does the U.S. stand to gain from all of this? We see little gain and much loss.

In fact, the record is clear on job losses due to imports already suffered by workers in textiles and apparel. Of the 92,000 workers who have applied for trade adjustment assistance in just three years 50,000 have fully satisfied the Labor Department's tight criteria for certification that imports have been an important cause of the loss of their jobs. The program had paid out to these workers $40 million as of February 1978, and these costs continue to mount.

Aside from import growth and employment effects, it is clear that tariff cuts will allow imports to further undersell U.S. producers. U.S. producers must meet price cuts or lose business. Thus, the moderate profit rate of 4.5 percent on sales before taxes which the textile industry earned last year would be seriously lowered. In 1974, 40 percent of U.S. textile companies as well as nearly 40 percent of U.S. apparel firms were already operating at a loss. Given the impact of increased costs, many of which are mandated by Government regulations, and further price cuts which will result from tariff reductions, many firms will be forced to fold. How long can an industry survive under circumstances of increased costs and reduced prices?

ESCAPE CLAUSE IMPORT RELIEF CANNOT CORRECT DAMAGE OF TARIFF CUTS

It is illusory to assume as indeed have some apologists for the severe textile and apparel tariff cuts offered by our negotiators in Geneva, that the Trade Act's safeguard provisions can come to the aid of firms and workers in these industries should the reduced tariffs lead to damaging import surges.

It is indisputable that the Trade Act, in its several import relief provisions, has much scope and flexibility for remedial action. There is indeed a clear Congressional commitment in the Trade Act to provide, as President Ford said when he signed the Act into law on January 3, 1975, "greater relief for American industry suffering from increased imports." But, the promise has not been matched by the performance, simply because of the recalcitrance of the Executive Branch in implementing that clear Congressional mandate.

Congress theoretically made it easier for industries and their workers to secure import relief from injurious imports by liberalizing the criteria for such relief in the escape clause sections of the Trade Act. But, it also continued the President's authority to reject the International Trade Commission's recommendations for import relief because of the "national economic interest."

The laxity of statutory enforcement of the safeguard provisions of the Trade Act of 1974 is clearly indicated by the fact that only four U.S. industries out of 31 that have gone through the laborious process of petitioning the U.S. International Trade Commission for import relief under the escape clause have actually received such relief.

Thus, we feel strongly, based on the record to date, that injury resulting from tariffs cut in the Geneva negotiations will not be easily remedied through resort to the escape clause.

U.S. TRADE POLICY ENVISAGES RELIEF FROM INJURIOUS OR UNFAIR IMPORTS

The ATMI supports the U.S. commitment to policies to promote a more open world by building a freer and fairer trading system. Cooperative economic and commercial relationships among nations are necessary to maintain world economic growth and development. However, we must also avoid a headlong pursuit of more open foreign markets with little or no perception of the need for exceptions from such free-trade philosophy to safeguard domestic jobs and industries against injurious import penetration. It is clearly illogical that the United States should undertake special responsibilities to refrain from any restrictions on imports while this is plainly ignored by our trading partners. The concept of cooperation in world trade implies the sharing by each trading partner of responsibilities for fair trade.

This is consistent also with our belief that, in the pursuit of our international objectives, politically and economically, U.S. trade policy must recognize that a strong domestic economy is essential to support international policy. This requires that the United States must use the exceptions permitted by the Trade Act where necessary and justified, to safeguard U.S. industry against unfair injurious import competition. But we have no confidence, based on performance under the 1974 Trade Act, that "errors" made in Geneva will lead to corrections as provided by that statute.

THE MULTIFIBER ARRANGEMENT (MFA) IS A NECESSARY BUT INADEQUATE IMPORT RELIEF MECHANISM

Insofar as the textile and apparel industry is concerned, its vulnerability, as a labor-intensive industry, to low-wage foreign supply has long been acknowledged by the U.S. Government. In fact, action to safeguard firms and workers in this industry against disruptive import surges goes back 40 years to the Roosevelt Administration. The import problems faced by this industry led to the Short Term Cotton Textile Arrangement (STA), the Long Term Cotton Textile Arrangement (LTA), and more recently to the Multifiber Arrangement, now in its fifth year.

Under the umbrella of the MFA, the United States has negotiated 18 bilateral agreements designed to control the shipments of textiles and apparel in order to eliminate market disruption from such trade.

Notwithstanding its intent, it is clear that the MFA and the bilateral agreements negotiated under it have not been successful in containing the relentless upsurge in imports. The Multifiber Arrangement allows for an annual growth rate of 6 percent but, in fact, much higher levels have been apparent, particularly for apparel. Between 1967 and 1977, according to the Federal Reserve Index of industrial production, U.S. apparel output grew by only 2 percent per year and textile production grew by only 3.? percent per year. On the other hand, the growth rate for textile and apparel imports in this period has been much higher, 7.2 percent. We think it is unfair to the industry and its workers that imports be allowed to grow faster than the growth of the U.S. market. This becomes particularly critical in the years ahead in view of anticipated lower growth rates for the domestic market.

The MFA is therefore a helpful but, to date, largely inadequate import relief mechanism, and its maintenance cannot be used to lull the firms and workers in our industry into a false sense of security in the face of the severe and unnecessary cuts in U.S. textile and apparel import duties which have been offered up for grabs in Geneva by our negotiators.

I should note that the MFA has proven to be a highly inelastic arrangement in that whether or not the domestic market is contracting, and irrespective of the U.S. business cycle, imports are permitted to grow by at least 6 percent per year. Its weakness as an import relief mechanism, however, is also due to the liberal interpretation by the United States of the MFA's technical features, in terms of administration and enforcement.

In this regard, controlled suppliers are allowed flexibility through shifts among categories, borrowing from the following year's restraint levels, and carrying over of a portion of unused levels from one year to the next. This can increase ceilings for a category in one year by as much as 17 percent.

When ceilings are reached and goods are embargoed upon reaching the U.S. because many exporting countries do not effectively control their exports, the U.S. often relaxes the embargo, allows the goods to enter, and deducts the amount from the following year's ceiling.

It is the Far East textile cartel, dominated by Japan and including Hong Kong, Korea, and Taiwan, which consistently supplies more than one-half of our total textile imports, while denying us any meaningful access to their textile markets. Already our textile trade deficit with the Far Eastern bloc exceeds $2 billion and is growing, despite the yen-dollar relationship. We can readily understand why President Carter asked Ambassador Strauss to address the Japanese problem.

More important is the fact that the MFA does not control all imports, and uncontrolled suppliers are not put under control fast enough to prevent them from gaining a significant portion of the trade before they are put under control. It should be noted there are no overall ceilings under the MFA.

A new textile power is rising in the Far East—the People's Republic of China, which is currently shipping to us at an annual rate in excess of 200 million square yards and this trade is totally one way, even at the present extra-high tariffs applied by the United States to Chinese imports.

This point needs especially to be emphasized since the possibility of substantial increases in imports of textiles from exporting countries not covered by any bilateral agreement is a real danger as a direct consequence of any cuts in U.S. tariffs. Such actions will certainly be considered by foreign producers to enhance their sales prospects in the vast U.S. market; thus tariff cuts will act as a magnet in funneling an even greater volume of uncontrolled shipments onto our shores.

The U.S. can take forceful action to control shipments from countries not covered by bilateral agreements. New agreements can be negotiated and unilateral action to restrain imports from uncontrolled sources can be taken. However, the record of Executive Branch foot-dragging on enforcement actions to date is hardly reassuring to our industry of any change in the future. Thus tariff cuts in textiles and apparel hold a real threat that uncontrolled shipments can lead to a disruption of the market despite the MFA.

An equally serious problem for the U.S. textile and apparel industry is the intense pressure from various quarters, both foreign and domestic, to increase restraint levels on controlled countries, which has led to acquiescence on the part of the Executive Branch in the past. If existing tariffs are cut, we can expect even stronger pressures to relax these controls.

It is well-documented that the restraint levels on textile and apparel products represent a substantial overhang above actual import levels, probably at least 30 percent, allowing many countries room for major increases in imports without violating any provisions of the bilaterals which are in effect. This is occurring even before tariffs are cut. If tariffs are cut the situation will obviously be exacerbated.

CODES OF CONDUCT WILL INCREASE DAMAGE DONE BY TARIFF CUTS

I referred earlier to the negotiation of several so-called international codes of conduct which give us much concern and still further compound the harm caused by the threatened tariff cuts. Specifically, we are concerned with the negotiations on codes for subsidies and countervailing duties, government procurement, and safeguard actions governments may take against injurious imports.

These codes of conduct aim at greater cooperation in world trade, but to implement such cooperation these codes must give promise of equitable enforcement by all countries, developed and developing alike. The draft negotiating texts for several codes of conduct at Geneva, however, seem to fall far short of such promise.

For example, in the new safeguards code now taking shape in the Geneva negotiations, it may be that any of the contracting parties to GATT would be entitled to apply import relief actions on a selective basis—that is only against selected products or selected countries which are adjudged to be the cause of injury. For GATT, this would mean a radical departure from its previous underlying principle of nondiscrimination. Such a policy change has understandable attraction to a number of the contracting parties which have import sensitive industries and have experienced growing import impact. However, it should be emphasized that the United States already has the authority for temporary selective unilateral import relief actions under the "escape clause" provisions of the Trade Act.

Therefore, the U.S. gains nothing by supporting a selective safeguards code in GATT. On the other hand, from the viewpoint of the textile and apparel industry, such a code could seriously undermine the orderly marketing arrangements for textiles and apparel that have been so laboriously constructed by virtue of the Multifiber Arrangement (MFA) and the bilateral agreements the U.S. has negotiated under the MFA.

The possibility cannot be overlooked that, given a broadened safeguards code which allows unilateral and discriminatory action to alleviate import-related injury, some countries will now see no need for a separate mechanism to be maintained under GATT auspices which aims at regulating international trade flows specifically for textiles and apparel.

The U.S. must insure that any safeguards code which finally emerges in Geneva should not vitiate any of the special arrangments with respect to textiles and apparel. In summary, the safeguards code must not undermine those GATT safeguards already in place for textiles and apparel under the MFA.

In the negotiations of a code on subsidies and countervailing duties, the U.S. is being pressed to require a finding of injury before a countervailing duty could be imposed on any imported item, whether dutiable or not. The U.S. is not now required under GATT rules to have such an injury test on dutiable products. U.S. acquiescence, therefore, to extension of the injury test requirement means weakening our own countervailing duty statute. With all its inadequacies, this is at least of some marginal help to those U.S. industries such as ours which face growing unfair import competition arising from the subsidies which foreign governments grant to their producers and exporters.

In return for an injury-test requirement, foreign governments would agree to refrain from imposing certain subsidies, although the developing countries would be permitted to phase in their "no subsidy" undertakings. What assurances would there be for effective and equitable international monitoring and enforcement?

It is intended that there would be established, as part of the code, an international dispute settlement mechanism under GATT auspices, but can we have any more assurance of success on this score than has been our sad experience with enforcement of GATT subsidy provisions in the past? GATT provides for recording of subsidy complaints and consultations to seek solutions to these complaints, but the recommended resolutions have largely been ignored by the Contracting Parties.

Developing countries, particularly, use export subsidies as a device to promote their internal economic development. The textile and apparel industry in the United States has felt the debilitating effects of such subsidized unfair import competition. The Treasury Department recently announced that preliminarily it found subsidies to exist on textiles and men's apparel exported from Brazil, Uruguay, Colombia, Argentina, Taiwan, India, and the Philippines as a result of petitions filed by the Amalgamated Clothing and Textile Workers Union last October 31. A 19 percent countervailing duty has been in effect for some time on cotton yarn from Brazil.

To sum up, there is no basis for the U.S. to agree that a subsidy must injure a domestic industry in order to justify a countervailing duty. A subsidy is an unfair trade practice and successive administrations have emphasized that international trade must be conducted by all governments on a fair basis. In any event, the U.S. ought not to accept such an international obligation which weakens its own countervailing duty statutory provisions without first insuring that there can be reciprocal effective implementation and enforcement of such an international obligation. Unfortunately, the record to date of the Treasury Department which administers the countervailing duty statute gives us no confidence that the U.S. would so implement and enforce its rights under such a code.

The code on government procurement also being negotiated in Geneva aims at the elimination of national government practices. The U.S. Government strongly favors this on the theory that U.S. industry is very competitive in many of the products bought by governments and thus U.S. industry has much to gain from the opening of foreign government procurement.

This may be true for some U.S. products such as those in the high technology area, but it will not help the textile and apparel industry which is labor-intensive. An international government procurement code would make it extremely difficult for our products to compete against the low-wage production of countries of the Far East or even Latin America. We would lose U.S. Government procurement opportunities and at the same time not gain any sales advantages in foreign markets, due to our higher costs.

If nondiscriminatory government procurement rules and procedures are to be negotiated, at the very least labor-intensive products such as textiles and apparel should be excluded from the coverage of the code.

H.R. 10853 CAN PRESERVE A VIABLE FIBER/TEXTILE/APPAREL INDUSTRY

It is for all of these reasons that we are deeply concerned as an industry over the Geneva trade negotiations. The Trade Act fortunately requires all of the international codes to be specifically approved by Congress before they can become effective. This is not the case, however, with the tariff reductions. H.R. 10853 is designed to deal with that problem.

We are struck by the fundamentally unfair and inequitable trade policy of our government which, under Section 127(b) of the Trade Act of 1974, exempts from tariff cuts those products which receive import relief under the "escape clause" or the "national security clause," but does not accord the same exemption to products receiving import relief under Section 204 of the Agriculture Act of 1956.

The theory behind the exemption provisions of Section 127(b) of the Trade Act with regard to industries receiving import relief under the "escape clause" and the "national security clause" is eminently sound. It does not make sense to extend import relief to an industry and then vitiate that import relief by cutting the tariffs on that industry's product. But if this theory is sound for footwear, specialty steel, color TV's, and CB radios, why isn't it equally sound for textiles and apparel?

Our industry received import relief in the form of orderly marketing agreements—the MFA and the 18 bilaterals. This is a recognized form of import relief under the "escape clause." So did footwear, specialty steel, and color TV's receive import relief in the form of orderly marketing agreements. These industries are automatically exempt from tariff cuts, but textiles and apparel are not. Is this fair? Is this equitable trade policy?

Congress itself realized the need for minimizing the adverse impact of imports on textiles and apparel subject to international agreements by exempting these products from zero-duty treatment under the Generalized System of Preferences. H.R. 10853 would represent a similar recognition by Congress of the need to minimize the adverse impact of imports through tariff cuts in the Geneva trade negotiations.

THE ADMINISTRATION'S OPPOSITION TO H.R. 10853 IS NOT WELL FOUNDED

We have heard and we have read various arguments put forward by the Administration on why H.R. 10853 should not be passed. We believe these arguments are spurious.

First we hear that if this bill is passed it will kill the MTN. Then we hear that the fiber/textile/apparel industry need not worry about the tariff offers made in Geneva last January on the products of our industry since they amount to only a small percentage reduction. We are truly confused, because if the tariff cuts on textiles and apparel are so small, we wonder why exempting these products from the MTN will "kill" the negotiations.

We believe that, contrary to what the Administration says, H.R. 10853 will not "kill" the trade negotiations and that the textile and apparel offers are not so small as we are led to believe.

Textile and apparel industries throughout the world do not want their tariffs cut, but would welcome someone else's textile and apparel tariffs being cut. Most of the present disruption to our industry comes from imports from the developing countries, and from Japan. These countries are not making anything but token offers, if that, in Geneva. There is no reciprocity expected from the developing countries. Under these circumstances why cut out tariffs to increase the injury we suffer from imports from countries? How could the failure of the U.S. to cut its textile and apparel tariffs cause these countries, who are giving us nothing of consequence to begin with, to "kill" the trade negotiations?

On the issue of the "small" percentage reduction in our tariffs we are told we will face, I think we are dealing with a serious problem of semantics. An offer to cut textile tariffs by one or two percentage points per year for ten years means cuts of from 40 to 60 percent from present tariff levels on a large number of textile mill products. I repeat: it is not one or two percent; it is 40 to 60 percent! It spells disaster for our industry and our workers.

It has been suggested that our industry will benefit throught increased exports if foreign textile and apparel tariffs are cut at the same time ours are reduced. This new game plan has consisted of efforts at all levels of the Executive Branch to convince the U.S. fiber/textile/apparel industry that its salvation lies in increasing exports.

We simply cannot accept this as a reasonable, viable alternative. Why should we think for a moment that the same foreign suppliers who are vigorously competing with us in the U.S. market will be less vigorous in capturing other foreign markets whose access will be made easier by tariff reductions, particularly as world markets, because of over-production, are awash with textiles? But ATMI, of course, is trying to develop export markets. I have asked Mr. Morris Bryan, our first vice-president, to head up this effort.

As the evidence I have thus far presented indicates, it would appear to be the U.S. market which will be most opened by the MTN and the U.S. industry which will suffer the greatest negative impact from liberalization of trade in textiles and apparel. The U.S., by virtue of its relatively strong recovery from the recent recession, has already been shouldering an excessive responsibility for helping our trading partners out of their economic doldrums through an intolerably high trade deficit. The underlying forces now governing world trade are not going to miraculously turn around once the MTN is concluded, particularly not for our industry.

H.R. 10853 CAN MAKE THE DIFFERENCE

Under all of the circumstances which I have cited for this Subcommittee, there is no question that the fiber/textile/apparel industry now stands at a critical point in time. If tariffs on the products of our industry are permitted to be cut as the Executive Branch is now planning, we foresee substantial increases in imports, an even greater trade deficit, reduced sales and production by American firms, more workers out of work, a serious reduction in profits and, indeed, losses, and the closing of plants. Our industry and its almost 2½ million workers want to continue to contribute in an ever-growing way to our country's economic growth and prosperity. H.R. 10853 can make the difference as we come to the moment of truth. We urge the members of the Subcommittee to report it out favorably and to work for its passage at this session of Congress. It is our only hope.

32-859 O - 78 - 5

TABLE 1—U.S. IMPORTS, EXPORTS, AND TRADE BALANCE OF TEXTILES AND APPAREL, 1967-1978

[In millions of dollars]

Year	Imports	Exports	Trade balance
1967	1,460	695	– 776
1968	1,818	694	– 1,124
1969	2,125	753	– 1,372
1970	2,402	776	– 1,626
1971	2,913	837	– 2,076
1972	3,411	993	– 2,418
1973	3,722	1,497	– 2,225
1974	3,952	2,165	– 1,787
1975	3,780	2,027	– 1,753
1976	5,269	2,480	– 2,789
1977	5,926	2,567	– 3,359
1978 [1]	6,870	2,470	– 4,400

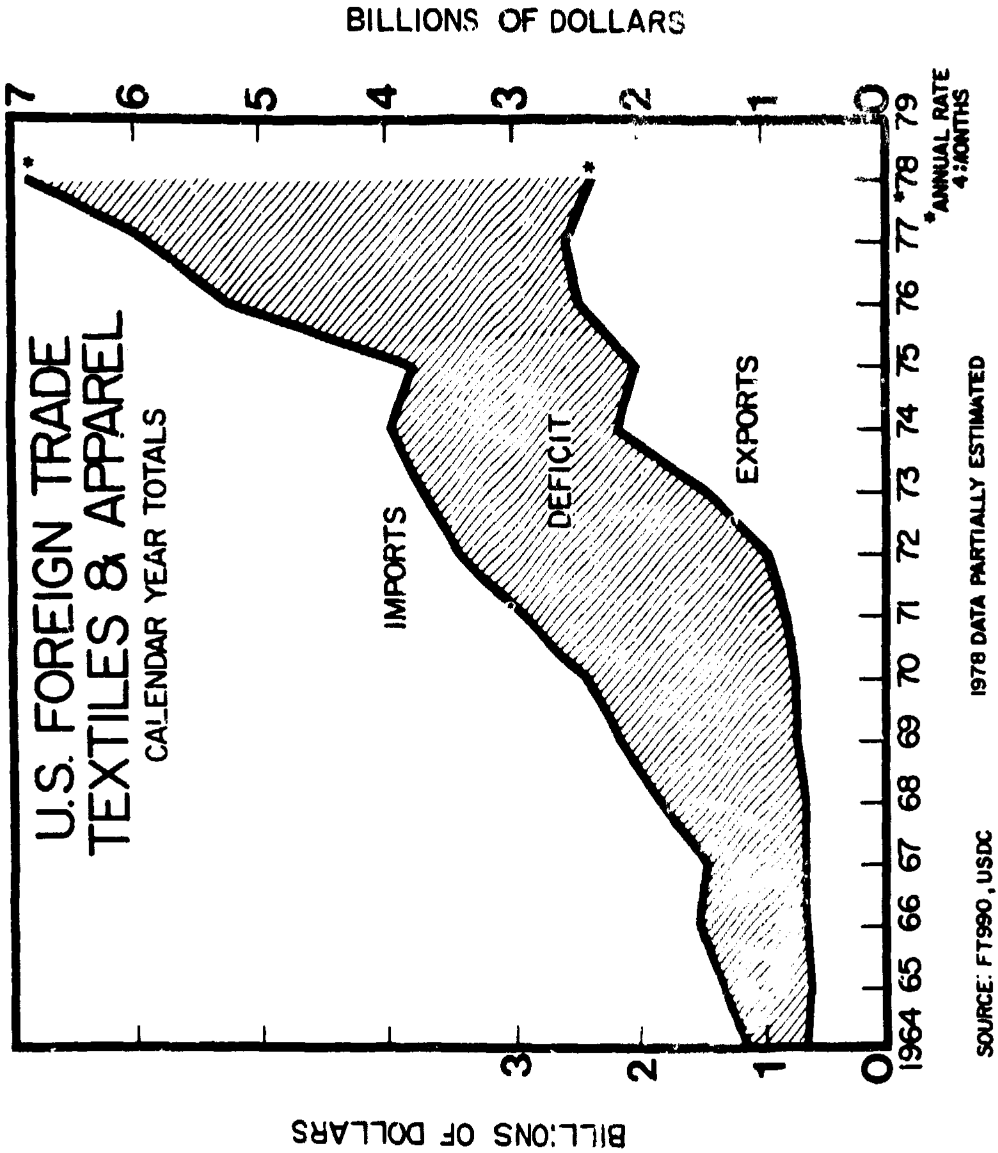
[1] Five months annualized and partially estimated.

Source: U.S. Department of Commerce, FT990; data relate to SITC division 65 and 84, i.e., textiles and clothing. Values are f.a.s. and pertain to products of all fibers.

APPENDIX I

The study conducted by Data Resources, Inc., addressed itself to various economic indicators in addition to job levels. The study reflected that, if tariffs on textiles and apparel should be cut by 50 percent, the results would be as follows:

Indicator	*Effect*
GNP in 1972 dollars (billion)	–$10.2
GNP in 1985 dollars (billion)	–$79.6
Industrial production (percent)	–2.2
Textile production (percent)	–6.1
Garment production (percent)	–10.5
Tax receipts (1985 dollars) (billion)	–$16.8
U.S. corporate profits (1985 dollars) (billion)	–$3.4
U.S. Federal deficit (1985 dollars) (billion)	–$6.4
Transfer payments (state and local—period 1977-85) (billion)	–$7.7


U.S. FOREIGN TRADE
TEXTILES & APPAREL
CALENDAR YEAR TOTALS
BILLIONS OF DOLLARS
0
1
2
3
4
5
6
7
IMPORTS
DEFICIT
EXPORTS
1964
65
66
67
68
69
70
71
72
73
74
75
76
77
*78
79
*ANNUAL RATE 4 MONTHS
1978 DATA PARTIALLY ESTIMATED
SOURCE: FT990, USDC

THE TEXTILE/APPAREL TRADE STATUS

	April 78	4 Months April 78	12 Months Ended April 78
	– percent	change from	year earlier –
IMPORTS	+ 50	+ 38	+ 23
EXPORTS	– 4	– 11	– 4
TRADE DEFICIT	+115	+ 94	+ 48

Note: Based on 3 fiber total values

Mr. VANIK. Thank you very much, Mr. Small.

We will now hear from Mr. J. Dan Blitch, member of the board of directors of the American Apparel Manufacturers Association.

STATEMENT OF J. DAN BLITCH III, MEMBER, BOARD OF DIRECTORS, AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Mr. BLITCH. My name is J. Dan Blitch, first vice president and secretary of Barrow Manufacturing Co. of Winder, Ga., and a member of the board of directors of the American Apparel Manufacturers Association. I am appearing before you today on behalf of the AAMA, which represents manufacturers of all kinds of apparel, having an aggregate annual sales volume of approximately $20 billion, or 65 percent of the entire sales volume in the U.S. apparel industry. It is the largest trade association in an industry which is the sixth largest employer of labor in the Nation. Apparel is also the critical element in the industrial network consisting of apparel, textiles, and fiber—the largest manufacturing complex in the Nation.

The continued viability of the American apparel industry depends, in large part, on the level of tariff rates applied to the ever-increasing quantity of apparel imports. Those tariff rates are now being negotiated in Geneva. The decisions made there will affect not only the 1.3 million Americans employed by the apparel industry but, moreover, its effects will be felt by the 2.4 million Americans who are part of our industrial network.

Increased imports have already cut deeply into our domestic market, so much so that our country's apparel manufacturers are finding it difficult to compete in the marketplace. Many of these imports are from countries whose wage scale is one-tenth that of the United States. The tariff rates which are keeping American goods competitive with imports are one of the major safeguards, so to speak, of a nation whose manufactured goods are inherently more costly to produce.

If we continue to share our markets with imports at present levels, we can maintain most of our employment and production. However, if we allow imports to grow faster than the projected growth in U.S. apparel markets, approximately 2½ percent annually, we cannot hope to maintain stability in the industry. A loss of this stability would mean increased production resulting in fewer jobs. Since 1973 imports have claimed over 100,000 apparel jobs. From a high point of 1,408,000 workers in 1973, apparel employment has fallen to 1,293,000 in April of this year.

This decline is particularly dislocating for apparel workers because so many are in rural areas where alternative jobs are unavailable, and because 80 percent are women, who have less flexibility to move to new employment opportunities.

Between 1974 and 1977 apparel imports grew 35 percent in physical terms—equivalent square yards. In the same 4 years the dollar value of apparel imports increased 77 percent. This is more than a reflection of inflation—it is an indication of higher-priced imports taking over portions of markets imports had not been in before. Today there is no major segment of the American apparel market that imports have not entered.

The control provided by the multifiber arrangement and its related bilateral agreements is not enough by itself. Tariff rates must be kept at present levels to check increasing imports, which can enter under these agreements.

A clear illustration of the increase in imports possible under the MFA and its bilaterals is seen in the import statistics for the first 5 months of this year. U.S. imports of cotton, wool, and manmade fiber apparel for January through May 1978 reached 1,167 million square yards equivalent, an increase of 25 percent over apparel imports during the first 5 months of last year. This type of increase is possible because apparel imports from some countries are not controlled by any agreement, and because not every item of apparel is controlled by every bilateral agreement.

Tariffs are the only control on an important share of apparel imports. A reduction of tariff rates would encourage much greater imports in all apparel areas. The need is for tighter import controls, both under the MFA and with tariffs. Only in this way will the American apparel industry have the chance to maintain its current market share.

The stand we took when the MFA extension was being negotiated is the stand we maintain today. Imports should be allowed to grow at no greater rate than the growth in domestic apparel consumption in the various market segments. Tariff reductions would make this impossible. Maintenance of current tariff rates along with rigorous administration of the MFA would provide much of the additional control necessary for market stability.

Anything less than strict adherence to current tariffs and MFA controls available to us will cause serious additional erosion in apparel employment. Anything less and our balance of payments situation will deteriorate further. Our country cannot afford to let apparel/textile imports continue to grow at an accelerated rate. We must keep our workers employed and our economy strong.

Mr. Chairman, on behalf of the American Apparel Manufacturers Association, I thank you for this opportunity to present our position, and respectfully urge your expedient consideration of H.R. 10853.

[The prepared statement follows:]

STATEMENT OF J. DAN BLITCH, III, ON BEHALF OF THE AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Mr. Chairman, my name is J. Dan Blitch. I am First Vice-President and Secretary of Barrow Manufacturing Co., of Winder, Georgia, and a member of the Board of Directors of the American Apparel Manufacturers Association. I am appearing before you today on behalf of the AAMA, which represents manufacturers of all kinds of apparel, having an aggregate annual sales volume of approximately $20 billion, or 65% of the entire sales volume in the U.S. apparel industry. It is the largest trade association in an industry which is the sixth largest employer of labor in the nation. Apparel is also the critical element in the industrial network consisting of apparel, textiles and fiber—the largest manufacturing complex in the nation.

The continued viability of the American apparel industry depends, in large part, on the level of tariff rates applied to the ever-increasing quantity of apparel imports. Those tariff rates are now being negotiated in Geneva. The decisions made there will affect not only the 1.3 million Americans employed by the apparel industry but moreover, its effects will be felt by the 2.4 million Americans who are part of our industrial network.

Increased imports have already cut deeply into our domestic market, so much so, that our country's apparel manufacturers are finding it difficult to compete in the marketplace. Many of these imports are from countries whose wage scale is one-tenth that of the United States. The tariff rates which are keeping American goods competitive with imports are one of the major safeguards, so to speak, of a nation whose manufactured goods are inherently more costly to produce.

If we continue to share our markets with imports are present levels, we can maintain most of our employment and production. However, if we allow imports to grow faster than the projected growth in U.S. apparel markets, approximately 2½ percent annually, we cannot hope to maintain stability in the industry. A loss of this stability would mean increased production resulting in fewer jobs. Since 1973 imports have claimed over 100,000 apparel jobs. From a high point of 1,408,000 workers in 1973, apparel employment has fallen to 1,293,000 in April of this year.

This decline is particularly dislocating for apparel workers because so many are in rural areas where alternative jobs are unavailable, and because 80 percent are women who have less flexibility to move to new employment opportunities.

Between 1974 and 1977 apparel imports grew 35 percent in physical terms (equivalent square yards). In the same four years the dollar value of apparel imports increased 77 percent. This is more than a reflection of inflation—it is an indication of higher priced imports taking over portions of markets imports had not been in before. Today there is no major segment of the American apparel market that imports have not entered.

"Competition" is impossible when our markets are flooded with goods produced by workers earning 30 cents to 40 cents and hour. Our production workers are averaging $3.80 an hour. Price competition cannot exist under such divergent cost structures. Control of imports is the only hope the American apparel industry has of preserving its markets. Tariff reductions would only further widen this competitive gap.

The import penetration ratio is so high that in some markets there are more imports sold than domestically produced goods. Sweaters and knit shirts are good examples of markets with very high levels of imports.

Imports in these types of markets should be strictly controlled until the ratio is improved. The control provided by the Multifiber Arrangement and its related bilateral agreements in not enough by itself. Tariff rates must be kept at present levels to check increasing imports which can either enter under these agreements.

A clear illustation of the increases in imports possible under the MFA and its biliaterals is seen in the import statistics for the first four months of this year. U.S. imports of cotton, wool and man-made fiber apparel for January-April 1978 reached 925 million square yards equivalent, an increase of 27 percent over apparel imports during the first four months of last year. This type of increase is possible because apparel imports from some countries are not controlled by any agreement, and because not every item of apparel is controlled by every bilateral agreement.

Tariffs are the only control on an important share of apparel imports. A reduction of tariff rates would encourage much greater imports in all apparel areas. The need is for tighter import controls, both under the MFA and with tariffs Only in this way will the American apparel industry have the chance to maintain its current market share.

The stand we took when the MFA extension was being negotiated is the stand we maintain today. Imports should be allowed to grow at no greater rate than the growth in domestic apparel consumption in the various market segments. Tariff reductions would make this impossible. Maintenance of current tariff rates along with rigorous administration of the MFA would provide much of the additional control necessary for market stability.

Anything less than strict adherence to current tariffs and MFA controls available to us will cause serious additional erosion in apparel employment. Anything less and our balance of payments situation will deteriorate further. Our country cannot afford to let apparel imports grow. We can afford to keep our workers employed and our economy strong.

Mr. Chairman, on behalf of the American Apparel Manufacturers Association, I thank you for this opportunity to present our position and respectfully urge your expedient consideration of H.R. 10853.

Mr. VANIK. Thank you very much. I certainly appreciate your testimony. We will move on to the next witness. I want to direct your attention to the red light. We are trying to get our business over with. We have a time factor here. The full Committee on Ways and Means will be meeting at 1:30 in this room. We are all involved in that, the debt ceiling.

Mr. Lon Mann, president of the National Cotton Council.

STATEMENT OF LON MANN, PRESIDENT, NATIONAL COTTON COUNCIL, ACCOMPANIED BY CARL CAMPBELL, SPECIAL PROJECTS REPRESENTATIVE

Mr. MANN. Mr. Chairman, I am Lon Mann, cotton farmer and ginner of Marianna, Ark. I serve this year as president of the National Cotton Council, in whose behalf I appear today. I am accompanied by Mr. Carl Campbell, special projects representative of the National Cotton Council's staff.

The council is the cotton industry's central organization, representing cotton growers, ginners, warehousemen, merchants, cooperatives, manufacturers, and cottonseed crushers.

We appreciate the opportunity to present our industry's views. In the interest of the committee's time, I will summarize, a more complete statement being filed for the record.

Present international textile trade agreements will be undermined if further tariff reductions are negotiated in the textile sector during the multilateral trade negotiations. This will irreparably damage the domestic textile industry and its raw cotton suppliers. It will adversely affect the price to farmers and impair our ability to produce cotton.

Domestic mills comprise our largest and most dependable market. Typically, they consume some 60 percent of the Nation's cotton marketings annually, and this seldom varies much from year to year. While our export market is essential and we work constantly to strengthen it, U.S. growers furnish almost 100 percent of domestic cotton mill usage.

Thus, when textile imports displace American-made textiles, products that chiefly contain foreign-grown cotton displace those made almost entirely from U.S. cotton. Countries supplying cotton textile imports in recent years bought only about a fourth of their cotton from the United States. And, of course, to the extent that manmade fiber textile imports replace cotton textiles, U.S. cotton is completely displaced.

In 1976, cotton textile imports were equivalent to 1½ million bales of raw cotton. In 1977, these imports were equal to 1.4 million bales, and the first quarter of this year they came in at the rate of 1¾ million. Those of manmade fiber textiles were equal to another million in each of those periods. If our cotton had supplied only a fraction of the market filled by those imports, there would have been no need for Government payments this year to take cotton land out of production.

Cotton people recognize that trade is a two-way street. We therefore support realistic trade policy. But reasonable restraints on textile imports are necessary if we are to have a domestic market and a domestic textile industry. Our textile wages are 10 to 15 times those of some of the Far Eastern textile exporting countries. Our mill customers have to spend hundreds of millions of dollars to meet environmental and worker safety standards which are not required of most of their overseas competitors. For example, new cotton dust standards just announced 2 weeks ago will add an estimated $1.7 billion to the cost of the U.S. cotton processing industry. Foreign manufacturers, with advantages of this magnitude, simply overwhelm domestic producers in many textile product areas. The purpose of tariffs is to enable domestic producers to compete more effectively with foreign producers. They also serve to limit the profit margin that foreign producers can maintain while still underselling domestic producers. Tariff removal would give foreigners additional profit incentive to work harder toward withdrawing their countries from the MFA.

When the basic importance of the cotton industry, the textile industry, and all those who supply them is considered—the millions of jobs and billions of dollars of income and foreign exchange earnings both here and all over the world—changes should not be undertaken in this internationally accepted system for regulating textile trade on a mutually benefiting basis that has evolved over many years with the cooperation of many nations. Therefore, Mr. Chairman, we fully support H.R. 10853 and companion bills.

Thank you for letting me present this testimony.

[The prepared statement and attachment follow. Oral testimony continues on P. 204.]

Statement of Lon Mann, President, National Cotton Council

SUMMARY

Cotton textile imports displaced U.S. cotton in the domestic market in the first quarter of 1978 at the annual rate of 1¾ million bales. But for this displacement, farm income would have been at a more reasonable level and there would have been no need for an expensive government acreage diversion program in 1978. Because U.S. manufacturers pay wages 10 or 15 times higher than foreign mills and must comply with expensive environmental and worker health and safety standards, they simply cannot compete with foreign textiles. For this reason, textiles have been given special trade treatment since the Japanese bilateral of the late 1950's, and continuing to the present Multi-Fiber Arrangement (MFA). The MFA is a microcosm of the Trade Act of 1974 in the textile sector, and this Act is the basis for our participation in the Multilateral Trade Negotiations (MTN). Therefore, there is every justification for preserving and strengthening the MFA. The 1974 Act specifically prohibits reducing tariffs if this action impairs national security. Defense Department statements document the security problems already created by textile imports. Reduction of textile tariffs would undermine the MFA, which is the only protection the U.S. textile industry has from imports. We urge the exemption of textile tariffs from MTN.

STATEMENT

I am Lon Mann, cotton farmer and ginner of Marianna, Arkansas. I serve this year as president of the National Cotton Council, in whose behalf I appear today.

The Council is the cotton industry's central organization, representing cotton growers, ginners, warehousemen, merchants, cooperatives, manufacturers, and cottonseed crushers.

We appreciate the opportunity to present our industry's views. Our delegates at their annual meeting in February unanimously resolved to:

"Continue to support appropriate federal action to provide reasonable restraints against imports of products manufactured from cotton and cottonseed, and those commodities directly competitive therewith, in order to hold such imports at levels which will not cause excessive interference with domestic markets; and urge strenghtening and effective administration of the Multifiber Arrangement and the Bilateral Agreements negotiated thereunder; and, further, since the Multifiber Arrangement and associated Bilateral Agreements were negotiated on the basis of current U.S. duties, view with concern published reports of cuts in textile tariffs that reportedly have been offered by the U.S.; and urge retention of present tariff levels on textiles during the Tokyo Round of the Multilateral Trade Negotiations."

Present international textile trade agreements will be undermined if further tariff reductions are negotiated in the textile sector during the Multilateral Trade Negotiations. This will irreparably damage the domestic textile industry and its raw cotton suppliers. It will adversely affect the price to farmers and impair our ability to produce cotton.

Domestic mills comprise our largest and most dependable market. Typically, they consume some 60 percent of the nation's cotton marketings annually, and this seldom varies much from year to year. While our export market is essential, and we work constantly to strengthen it, U.S. growers furnish almost 100 percent of domestic cotton mill usage.

Thus, in most cases when textile imports displace American-made textiles, products that chiefly contain foreign-grown cotton displace those made almost entirely from U.S. cotton. Countries supplying cotton textile imports in recent years bought only about a fourth of their cotton from the U.S. To the extent that man-made fiber textile imports replace cotton textiles, U.S. cotton, of course, is completely displaced.

In 1976, cotton textile imports were equivalent to 1½ million bales of raw cotton. In 1977, these imports were equal to 1.4 million bales, and the first quarter of this year they came in at the rate of 1¾ million. Those of man-made fiber textiles were equal to another million in each of those periods. If our cotton had supplied only a fraction of the market filled by those imports, there would have been no need for government payments this year to take cotton land out of production.

Cotton people recognizes that trade is a two-way street. We therefore support realistic trade policy. But reasonable restraints on textile imports are necessary if we are to have a domestic market and a domestic textile industry. Our textile wages are ten to fifteen times those of some of the Far Eastern textile exporting countries. Our mill customers have to spend hundreds of millions of dollars to meet environmental and worker safety standards which are not required of most of their overseas competitors. Foreign manufacturers, with advantages of this magnitude, simply overwhelm domestic producers in many textile product areas. The purpose of tariffs is to enable domestic producers to compete more effectively with foreign producers. They also serve to limit the profit margin that foreign producers can maintain while still under-selling domestic producers. Tariff removal would give foreigners additional profit incentive to work harder toward withdrawing their countries from the Multifiber Arrangement.

It has been recognized for two decades that textile imports required special treatment. After tariff reductions in 1955 lowered duties on cotton cloth by about 27 percent, there was an upsurge in imports that eventually led to negotiation with Japan for restraint of her cotton textile exports to this country. A key factor in obtaining the agreement was a provision in the Agricultural Act of 1956 which authorized the President to restrict textile imports. But even with the Japanese agreement in effect, cotton textile imports tripled from 1955 to 1960.

A year later, President Kennedy established a 7-point program of assistance to the textile industry. It provided for negotiating restraints on shipments of textile articles into the U.S. Under this mandate, an international agreement on cotton textile trade was negotiated which lasted for more than a decade. During this period, cotton textile imports more than doubled.

In 1968, tariffs on textiles were again lowered, this time by an average of about 21 percent. But in the next three years, man-made fiber textile imports more than doubled, and this led to a new international agreement in 1974 covering trade in cotton, man-made fiber, and wool textiles. We fear another textile tariff reduction will create enough additional profit incentive for low-cost foreign producers selling in the U.S. market to cause the present agreement to break down.

Obviously, the existence of the international agreement indicates a worldwide feeling—developed over many years—that textile trade is a special case requiring special treatment. The fact that the agreement's signatories include both the developed and the developing countries, indicates that it meets the needs of both to a significant degree. In many ways, the international textile agreement is a microcosm of what is envisioned under the Trade Act of 1974, which is the basis for our participation in the Multilateral Trade Negotiations.

For example, the agreement's preamble contains the following language:

"Determined to have full regard to the principles and objectives of the General Agreement on Tariffs and Trade and, in carrying out the aims of this Arrangement, effectively to implement the principles and objectives agreed upon in Tokyo Declaration of Ministers dated 14 September 1973 concerning the Multilateral Trade Negotiations."

The Multilateral Trade Negotiations referred to, of course, were the motivating force behind the Trade Act of 1974. Some comparisons of various parts of the textile agreement with the Trade Act reveal the close parallel between them.

Article 1 of the agreement reads in part as follows:

"The basic objectives shall be to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries.

"A principal aim in the implementation of this Arrangement shall be to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these."

The Trade Act's statement of purposes (Section 2) contains very similar language:

"To harmonize, reduce, and eliminate barriers to trade on a basis which assures substantially equivalent competitive opportunities for the commerce of the United States;

"To provide adequate procedures to safeguard American industry and labor against unfair or injurious import competition, and to assist industries, firms, workers, and communities to adjust to changes in international trade flows;

"To provide fair and reasonable access to products of less developed countries in the United States market."

The three common elements are reduction of trade barriers, avoidance of disruption of individual markets, and enhancement of the position of developing countries.

Section 101(a) of the Trade Act authorizes the President to "enter into trade agreements with foreign countries" when he determines that "the purposes of this Act will be promoted thereby."

This, of course, is the very heart of the textile agreement. Its Article 4 says in part:

". . . participating countries may, consistently with the basic objectives and principles of this Arrangement, conclude bilateral agreements on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption in importing countries and disruption to the textile trade of exporting countries, and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries. . . . Such bilateral agreements shall be designed and administered to facilitate the export in full of the levels provided for under such agreements and shall include provisions assuring substantial flexibility for the conduct of trade thereunder, consistent with the need for orderly expansion of such trade and conditions in the domestic market of the importing country concerned."

Section 121(a)(12) of the Trade Act requires the President to work toward establishment of a mechanism within GATT for the settlement of disputes and of a surveillance body to monitor international shipments of articles under trade agreements. Articles 10 and 11 of the textile agreement establish just such mechanisms.

Import relief sections of the Trade Act are very similar to those of the textile agreement. Section 203(a)(3) of the Trade Act provides for unilateral import restrictions under certain specified conditions, as does Article 3 of the agreement. Both require proof of actual or imminent damage to domestic markets before these unilateral restrictions are imposed.

Relief through bilateral agreements is provided in Section 203(a)(4) of the Trade Act and in Article 4 of the textile agreement. Section 203(d)(2) and Article 4 both provide that imports may not be restricted below levels of a recent period. Article 4 (Annex B) of the textile agreement goes one step further in providing that under ordinary circumstances, annual increases in import restraint levels of at least 6 percent must be provided.

As noted in the objectives, both the Trade Act (Title V) and the textile agreement (Article 6) provide for special treatment of developing countries. However, Section 503(c)(1)(A) of the Trade Act specifically prohibits duty-free treatment under Title V of "textile and apparel articles which are subject to textile agreements," and refers to them as "import-sensitive articles." This, of course, is the most recent of the many official acts of recognition by our government that special treatment of textile trade is necessary.

One final point should be made concerning national security. The Trade Act in Section 127(a) provides that:

"No proclamation shall be made pursuant to the provisions of this Act reducing or eliminating the duty or other import restriction on any article if the President determines that such reduction or elimination would threaten to impair the national security."

We would like to submit for the record a study entitled "The Changing Capability of the Textile Industry to Support National Defense." It is written by Dr. Stephen J. Kennedy of the U.S. Army Natick Laboratories, who has been described as the Army's leading authority on textiles for the past 35 years.[1]

His study concludes that in such key military product classes as duck, fine cotton goods, and worsteds, the U.S. textile industry no longer has the capacity to meet a

[1] Due to length, Dr. Kennedy's article is omitted from the hearing record and is available at the subcommittee on trade's office.

mobilization demand, and that in many other classifications, its ability to do so is declining.

A major reason for this is given as follows:

"The impact of imports has been serious, not just because they have taken over 15 percent of the U.S. broadwoven goods market, but also because our national policy has been pointed toward turning over the growth in the home market to the less developed countries of the world as a first step toward their industrialization. Also the concentration of imports in certain sectors of the market has been highly damaging.

"The most serious aspect of this situation, however, lies in the resulting unattractiveness of the broadwoven goods industry as a potential area for capital investment in new mills. With the profit margins held down by low-price imports, there is little likelihood of growth other than that arising from the installation of more productive equipment in existing mills. Accordingly, looking into the 1980–85 time frame, selected as a base for this study, this industry will be providing a smaller and smaller part of the U.S. market, and in proportion to total consumer demand, will have less capacity to meet combined military and civilian demands in a future emergency." [2]

On the grounds of national security alone, the United States should not risk upsetting the international textile agreement by negotiating tariff reductions in this sector. And when the basic importance of the cotton industry, the textile industry, and all those who supply them is considered—the millions of jobs and billions of dollars of income and foreign exchange earnings both here and all over the world—changes should not be undertaken in this internationally-accepted system for regulating textile trade on a mutually-benefitting basis that has evolved over many years with the cooperation of many nations. Our industry supports H.R. 10853 and companion bills and recommends early and favorable consideration by this Committee. I appreciate the opportunity to present our views.

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[2] P. 82

THE CHANGING CAPABILITY OF THE TEXTILE INDUSTRY TO SUPPORT NATIONAL DEFENSE

by

DR. STEPHEN J. KENNEDY

FOREWORD

This study is directly related to the Army's research and development on new and improved materials for the soldier's clothing and personal life support equipment system that could be produced quickly from a broad base of the textile industry's facilities to meet the logistical support requirements of a possible future mobilization.

Since all textiles come from a common supply of raw materials and the same pool of production equipment, this study necessarily relates to all textiles used by the Defense Establishment, and specifically from the Army's standpoint, to all common use items used by all the military services for which the Army has assigned responsibility.

Recent trends in the textile industry as a result of increasing textile imports, the revolutionary changes occurring in textile manufacturing, and the relative shrinkage in size of the industry's broadwoven goods manufacturing capacity in relation to total consumer demand, necessitate a reappraisal of the capability of the textile industry to provide adequate support to the military services in some future national emergency.

This report attempts to formulate some of the problems which can be foreseen at this time, and to indicate some of the factors that would be involved in assuring an adequate supply of essential military textile materials.

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The author of this report, Dr. Stephen J. Kennedy, has, for the past 32 years, been the Army's leading authority on textiles. During World War II, he served as a lieutenant colonel in the Research and Development Branch of the Office of the Quartermaster General, Washington, D.C., in charge of textile research and development. Following the war, he was appointed Chief of the Textile, Clothing and Footwear Branch in Quartermaster research and development, and following the move to Natick, Massachusetts in 1954, continued in that capacity. With the formulation of the U.S. Army Natick Laboratories, he was appointed Director of the Clothing and Personal Life Support Equipment Laboratory.

Prior to World War II, Dr. Kennedy had an established reputation in textile economic and market research. He is the author of "Profits and Losses in Textiles," published by Harper & Bros., and co-author of "Textile Markets," a report of the National Bureau of Economic Research. He has also published many articles in trade and technical publications.

Dr. Kennedy has been the recipient of many honors from scientific and technical societies and is widely recognized as an authority on textiles in industrial, technical and government circles.

JOHN C. McWHORTER, Jr.
Brigadier General, USA
Commander, U.S. Army Natick Laboratories

OUTLINE

APPENDICES

ACKNOWLEDGEMENTS

Acknowledgement is made with a deep sense of obligation to many people who have assisted in bringing together the information upon which this report is based. While it is not possible to list all individuals, special acknowledgement must be extended to the staff and members of the American Textile Manufacturers' Institute and the American Textile Machinery Association; the staff of the United States Department of Commerce, Bureau of the Census; the United States Department of Agriculture; the Defense Personnel Support Center; the Office of the Chief of Military History; the Textile Economics Bureau, Inc.; and the National Cotton Council, Inc. Also, numerous firms in industry have provided information and comments with respect to the subject of this report.

STEPHEN J. KENNEDY

I. INTRODUCTION

During the past ten to fifteen years profound changes have been taking place in the United States textile industry and in the American textile market which are of great importance to the Department of Defense in respect to the future capability of the industry to meet military needs for textiles in large quantities quickly in a time of mobilization. These changes have included:

— Very large imports of textiles, which have retarded expansion of textile industry production capacity proportionate to the growth of the market, particularly in the broad woven goods segment of the industry upon which the military is dependent for by far the largest part of its military textile requirements.

— An increase in the rate of change in consumer textile products which has caused continual changes in the make-up and production capabilities of the industry's production base.

— Long-term trends in the prices of the various textile fibers as a result of which cotton is no longer consistently the lowest-price textile fiber.

— Growth in the consumption of man-made fibers to the point where the consumption of these fibers exceeds that of the natural fibers.

— A technological revolution in practically all phases of textile manufacturing.

— The rise of labor shortages in the major textile manufacturing areas.

The above trends, along with others that could be cited, have already had a definite effect upon the potential of the textile industry to produce the textiles required by the military for support of military operations. A continuation of these trends into the 1980's, which appears likely, may make it very difficult or even impossible for the textile industry to supply the textiles needed for support of a major military mobilization.

Industrial mobilization planning as it has been carried on in the past by the Department of Defense has assumed the production base of industry to be relatively static; i.e., that a mill having certain equipment and making a certain type of product would continue to be making essentially that same type of product at some future date. Industrial mobilization studies of the textile industry prior to World War II could be based upon such an assumption because the industry in general conformed to that pattern.

Today, however, the industry is subject to such rapid change that it would be not only futile but misleading to attempt to base plans for mobilization of this industry at some future time upon this assumption. In order to keep abreast of changes in the market, textile management has become basically market-oriented and is prepared to change manufacturing facilities to meet market trends far more readily than ever in the past. Mills making one product this year may be converted a year or two from now to making a wholly different product using quite different production equipment.

In contrast to these industry trends, the technical requirements for military textiles are relatively inflexible. There are certain functional requirements in the clothing and equipment of the soldier, in body armor, in parachutes, and in other military textile uses which can only be met by specific types of textiles. Some changes in the textiles used by the military services can be expected to occur as a result of technological advances, particularly in the development of new fibers and modifications in existing fibers and manufacturing processes. Also, military research and development directed toward exploitation of technological advances in industry will undoubtedly lead to changes in military textiles. Yet, there are certain basic technical requirements that must be met, and for these an adequate industry base to produce these kinds of textiles would be needed.

That a critical supply problem could occur in textiles has not been seriously considered in the past by the military services. Generally,it has been assumed that, in an area like textiles, where the military product resembles the kinds of products the industry makes for civilians in time of peace, the industrial capacity could be quickly turned around in time of war to producing what the military would need.

The performance of the textile industry in meeting military requirements in World War II, the Korean War and our involvement in Southeast Asia has contributed to this attitude. However, the unusual circumstances and the extraordinary efforts which made it possible for the textile industry to supply the military with its requirements during World War II are no longer generally known. Also, just how the supply goals were met during the Korean War and why the problems that arose did not create a crisis are likewise not remembered. The creeping rate of involvement in Vietnam would not have been expected to create a serious crisis in obtaining supplies of textiles. Yet, at one point in the war, consideration had to be given to the possible purchase of cotton duck abroad, in addition to which support of the Army, Republic of Vietnam (ARVN) was met by large off-shore procurements of many kinds of textiles.

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There is a complacent feeling with respect to textiles that "it could not happen here" — that the textile industry will always be able to take care of military needs.

That can no longer be taken for granted.

The textile industry as it existed in these three war periods of the past thirty years no longer exists. The circumstances which made possible the successful supply support of textiles and products made from them during these three wars could not possibly be re-created. Both the military services and the textile industry have a whole new set of factors to deal with, and over the next ten to fifteen years, far greater changes must be expected to take place. To be prepared to keep pace with the changing production capabilities of the textile industry, a major re-orientation is required in the attitude of the military services toward the industry, in the development and adoption of new materiel using textiles, and in industrial mobilization planning.

II. MILITARY REQUIREMENTS

The term "military requirements" is used to refer both to the quantities of supplies that may be needed by the military, and also to the functional performance characteristics of materials and items of supply. Quantitative requirements in turn must be defined both in terms of the rate at which supplies must be made available and the total quantities needed.

Quantitative Requirements

Perhaps the most effective way by which to gain a perspective as to the amount of supplies such as textiles that would be required in a major mobilization would be to review the nature of the mobilization that has occurred in each of the three wars in which our country has been engaged during the past thirty years.

Figure 1 shows the rate of increase in total military strength for each of the three wars: World War II, Korea and Vietnam. The base date used for World War II is June 1941, at which time mobilization was actually going forward rapidly, as is shown in Table I: from June 1939 to June 1941, the strength of the military forces had been increased from 334,473 to 1,801,101. (The further increase by the end of December was relatively small.) June 1950 has been used as the base date for Korea, and June 1965 for Vietnam.

It will be evident from considering both the rate and the extent of mobilization in each war that they represent three entirely different types of mobilization. They can perhaps be best categorized as total mobilization of the country's resources for an all-out war for World War II; a limited but rapid mobilization necessitated by an enemy attack in a single theater for Korea; and a gradual mobilization to support a limited military objective for Vietnam.

With respect to mobilization of industry to support the military forces in these three engagements, it will be evident that the demands placed upon the industry were completely different in each case. In World War II, total strength of the military forces was increased to over six times that of the base period, whereas for Korea, it never rose to more than two and a half times the pre-war figure. The comparison between total manpower in the three war periods is clearly shown in Figure 2 which shows the actual strength of the armed forces over this period.

Looked at from the standpoint of rate of mobilization, the military strength was almost doubled in the first seven months of the war in World War II and then more than doubled again during the next year, whereas in Korea, it was doubled during the first year of the war, and did not rise much further during the balance of the war. In Vietnam, military strength

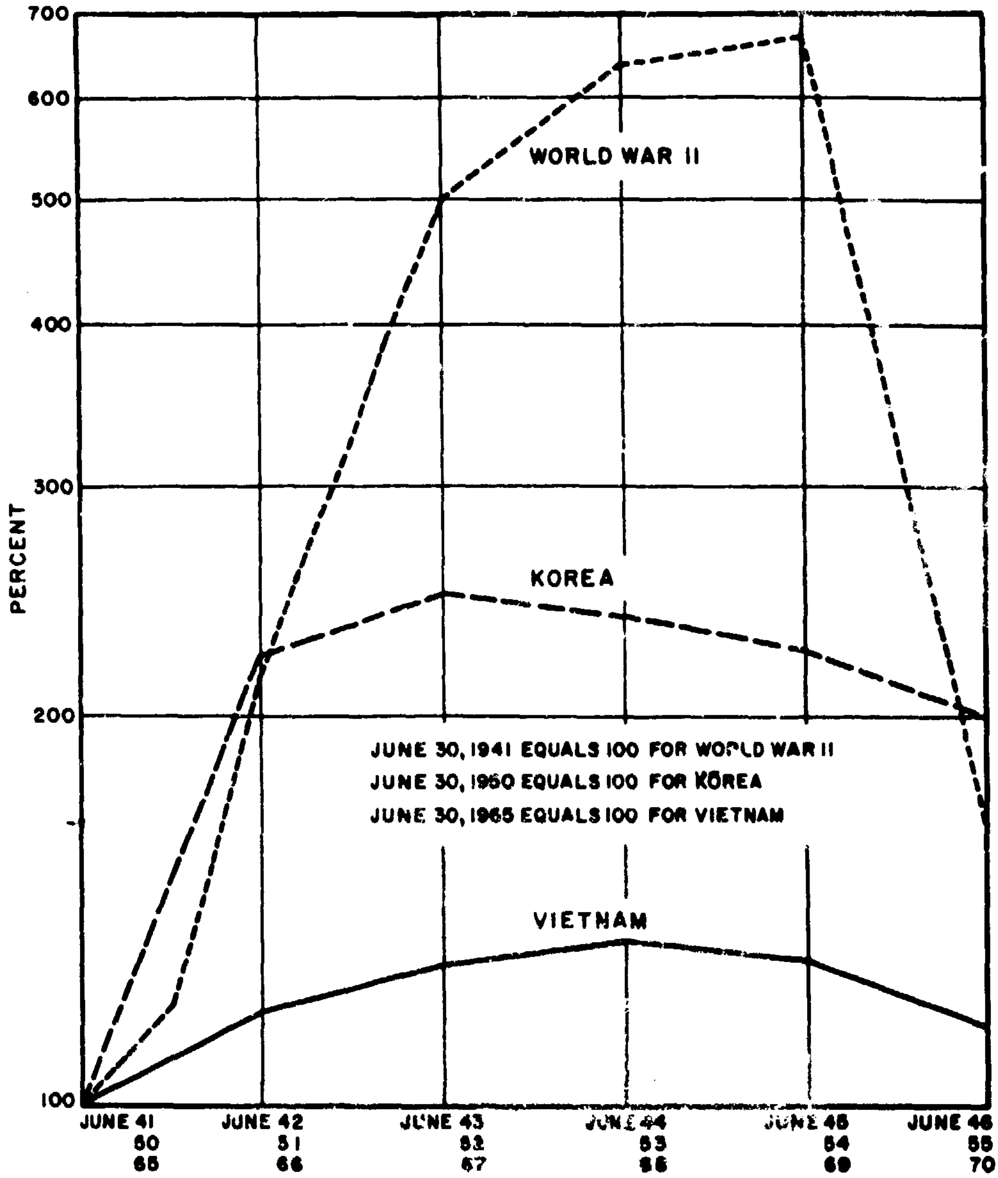

FIGURE 1 RATE OF INCREASE OF TOTAL MILITARY STRENGTH WORLD WAR II, KOREA, VIETNAM

TABLE I

Total Military Personnel

World War II, Korea, Vietnam

World War II			Korean War			Vietnam War		
Year	Strength	Index	Year	Strength	Index	Year	Strength	Index
30 June 1939	334,473	—	—	—	—	30 June 1963	2,699,617	—
30 June 1940	458,365	—	—	—	—	30 June 1964	2,687,409	—
30 June 1941	1,801,101	100	30 June 1950	1,460,261	100	30 June 1965	2,655,389	100
31 Dec 1941	2,149,157	119	30 June 1951	3,249,455	223	30 June 1966	3,094,058	117
30 June 1942	3,858,791	214	30 June 1952	3,635,912	249	30 June 1967	3,376,880	127
30 June 1943	9,044,745	502	30 June 1953	3,512,949	240	30 June 1968	3,547,902	134
30 June 1944	11,451,719	636	30 June 1954	3,302,104	226	30 June 1969	3,460,162	130
30 June 1945	12,123,455	673	30 June 1955	2,935,107	201	30 June 1970	3,066,294	115
30 June 1946	3,070,088	170						

Source: Selected Manpower Statistics, Department of Defense, OASD Comptroller, Directorate for Information Operations, April 15, 1972

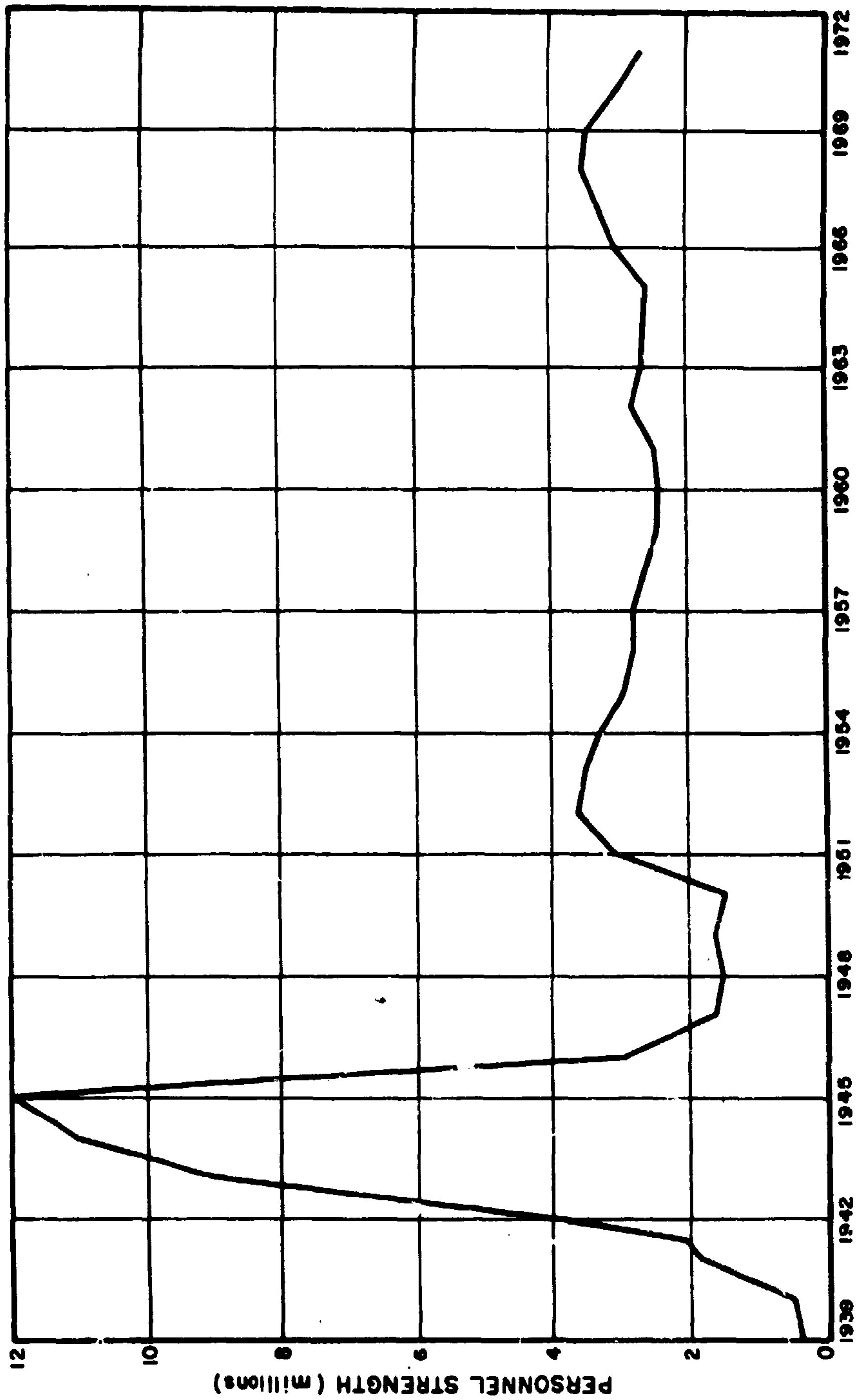

FIGURE 2 ACTIVE DUTY MILITARY PERSONNEL

rose only gradually to a peak three years after the major military effort got underway.

From what is indicated in these charts, reflecting on our experience in mobilization in three wars during the past third of a century, it is clear that there is no single pattern or formula from which to project possible future requirements, or the character of the industrial mobilization that might be thrust upon the textile industry at some future date.

The most that can probably be said at this point might be that the importance of maintaining strong forces in being to prevent or deal promptly with brush fires before they grow into major confrontations, has apparently come to be recognized as an essential element of our military posture. Even this position, however, might be subject to modification with some easing of international tensions.

How then does one project possible needs from which some estimate might be arrived at that would be meaningful in relation to the industry's future capacity for production?

Industrial mobilization planning has had to deal with this problem since it was first brought into being under the National Defense Act of 1920, which assigned to the Assistant Secretary of War responsibility to assure "adequate provision for the mobilization of material and industrial organization essential to war-time needs."

The experience in World War I where we recruited two million men and sent them overseas after an average training period of nine months, but found it would take two years to supply them with munitions, necessitating their use of equipment furnished by our Allies, demonstrated that manpower and industrial mobilization had to be simultaneous and synchronized in military preparation.[1]

The general principles followed in industrial mobilization planning have been to locate sources that might be able to produce standard items of equipment, to allocate to each a certain quantity of the overall estimated requirement for a particular type of material, and to prepare plans which would enable that firm to go into production quickly, with minimum loss of time, when an emergency arose.

The details of this type of planning are well known to the industry and need not be repeated here. Particularly critical are the measures that could be taken to reduce the time by which the supplies could be produced. These involve both the administrative lead-time of the government procurement activity, and any constraints which might be placed upon it with respect to procurement action, and the production lead-time which, even when compressed to a minimum, cannot physically be reduced beyond a certain period of time before goods can come off the production equipment.

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[1] Thomas M. Pitkin and Herbert R. Rifkind, Procurement Planning in the Quartermaster Corps, Quartermaster Corps Historical Studies No. 1, March 1943. Foreword.

Here, it may be pointed out that during World War II, in an all-out committment, many contracts were negotiated and a contractor could come into the procurement office and walk out with an order, and almost without regard to cost, stop his factory and start up on the military product. In contrast, during the war in Vietnam, normal procurement restraints prevailed for the most part, so that administrative lead-time amounted to about three months before the contract could be awarded.

What the production lead-time would be in most textile mills would vary with the product, but for practical purposes, a period of not less than three months would be required to start getting gray goods made from spun yarns off the looms, with another month for finishing, and with the rate of delivery depending upon the number of looms committed to the contract. The textile industry normally operates on contracts to run for not less than ten weeks. Added together, this would give a time period for delivery of a contract of about six months. One goal of mobilization planning has been to find ways to reduce this overall time periodbefore anemergency developed.

This matter of rate of mobilization, both of men and materiel, is highly critical from the standpoint of meeting a military emergency.

In both World Wars I and II, we had warning time for preparation, with other powers engaging the enemy while we had time to bring to bear the long-run superiority of American potentiality for war, rather than having had to be in a state of readiness for war which might have determined if we would have the ability to use that potentiality.

A significant comment with respect to this whole matter of preparedness was made by General Eisenhower in his final report as Chief of Staff of the Army, in which he said, "What we are able or not able to do within the first sixty days of another war will be decisive in its determination of our ability to carry the war to a successful conclusion." [2]

While this statement would not have been applicable to our creeping involvement in Vietnam, it proved literally true in Korea. From June 25, 1950, when the North Korean invasion of South Korea began, it was only by September 10, after a strategic retreat, that the United States and the allied United Nations forces could stabilize the front at the beachhead around Pusan, thereby occupying the enemy forces so as to permit the Inchon landing on September 25.

It is no criticism of the procurement plans prepared prior to World War II that mobilization for that conflict actually began during peace-time, two years before Pearl Harbor.

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[2]Dwight D. Eisenhower, Final Report of the Chief of Staff, United States Army, to the Secretary of the Army, February 7, 1948. pg. 17.

This partial mobilization, to which was added the purchase of supplies for Lend-Lease, brought military procurement of all types of supplies to a relatively high level before December 1941, transcending the procurement plans that had been developed, although the groundwork that had been laid with the industry in the preparation of the plans proved very useful in getting industry ready for production for military support.

World War II confirmed the belief that it was the ultimate capacity of industry to produce that would determine the outcome of a war. The term, "Arsenal for Democracy", which was a key slogan during World War II, expressed this concept.

Similarly, our experience in Korea, which did not involve full mobilization with attendant demands on the nation's industrial strength, confirmed, however, the importance of a strong industrial base to support a relatively large military establishment in a cold war setting. In this conflict, the concept of readiness for total mobilization, in the event it became necessary, received strong recognition.

In planning in respect to some future emergency it must be kept in mind that the estimates of the quantities of textiles that would be needed would be the end result of predictions and calculations based upon assumptions and objectives established at high policy levels. Such predictions would have to involve the consideration of a highly complex array of unknown future events, most of which would be beyond the control of those formulating the plans. Included would be assumptions as to basic strategic plans, enemy capabilities and probable intentions, possible theaters of operation, anticipated size and composition of the military forces required, the projected rate of mobilization, methods of delivery of troops and supplies, and, quite obviously, a host of other factors. As changes in our defense posture and international tensions occur, changes in estimates of the strength of the forces needed would undoubtedly also be altered; such alterations, in turn, would necessitate reconsideration of the industrial mobilization plans.

While all mobilization plans are affected when such changes occur, those pertaining to support of the individual soldier are particularly vulnerable, both in respect to the total quantities of supplies required and the particular types needed. The climate of the projected theater of operations, for example, would determine whether cold weather or hot weather clothing was needed, and what kinds of sleeping gear, shelter and other troop support equipment would be required. The threat of the possible use of chemical warfare by an opponent could necessitate making available large supplies of chemical warfare protective clothing. There would also be the possibility that new types of weaponry or new chemical warfare agents might be employed which would exceed the protection capabilities of available personnel armor or protective clothing, necessitating immediate redesign of existing items, or the production of new ones, with a corresponding shift of textile production and the end items made from them, to meet such new threats.

In determining requirements for textiles and clothing, there are further production and distribution factors related to sized items. These necessitate the production of added quantities to assure fit at the point of issue. Also, there is the uncertainty as to replacement requirements, since some items of clothing and equipment have relatively long potential life, and their rate of replacement would depend upon the intensity of the conflict and the practicability of field repair and re-issue.

Just what build-up in military manpower might be necessary in a future mobilization is beyond any determining at this time. However, it may be helpful, in thinking about this problem, to use a hypothetical situation in which mobilization would involve at least doubling the size of the armed forces from a base of around two million men for conducting a war in a temperate climate area. Such a hypothesis falls in-between the two extremes of the World War II situation, and the slow build-up in Vietnam, and can form the basis for checking the impact of trends in the textile industry upon its capacity for military production. Also, it may serve as a useful base-line for projecting upward or downward the possible requirements of the military.

Technical Requirements

The textiles required for military use can be grouped into nine general classes as follows:

TABLE II

PRINCIPAL CLASSES OF MILITARY USES FOR TEXTILES

Specific Military Technical Requirements

Uniforms

- Winter Service Uniform
- Summer Service and/or Semi-Dress Uniform
- Utility Uniform

Protective Clothing/Equipment Systems

- Hot Weather Clothing
- Cold Weather Clothing (Including Temperate Climate Winter Clothing)
- Extreme Cold Weather Clothing
- Desert Clothing
- Army Aviators' Clothing
- Combat Vehicle Crewmen's Clothing
- Chemical Warfare Protective Clothing
- Personal Equipment
- Personnel Armor

Tents, Paulins and Covers

Parachutes and Related Airdrop Equipment

- Personnel Parachutes
- Cargo Parachutes
- Cargo Tie-Down Equipment

Miscellaneous Military Uses, not included above

Technical Requirements Similar to Those of Commercial Materials

Other Clothing

- Hospital, Service, Safety, etc.

Housekeeping Textiles

- Sheets, Towels, Blankets, etc.

Textiles Used as Components of Other Military Materiel

- Tire Cords
- Hose and Belting
- Electrical Applications
- Reinforcements for Plastics
- Other Component Uses

Textiles Used in Industry in the Production of Military Materiel

It will be apparent from the above list that the textiles required for support of military uses fall into two general groups: the first five classes, which have distinct military technical requirements related to their military uses, and the lower four classes for which the technical requirements would not be significantly different from those for products used for similar purposes in the civilian economy.

With respect to the latter, it need only be said that in a mobilization situation there would not need to be any significant changes in industrial production. The principal impact would be a surge upward in the quantity of those types of textiles demanded of the industry, with the increase proportional in some way to the rate of mobilization or the general rate of production of military hardware.

It is the textiles in the first five groups which are normally thought of as "military textiles". This is proper since they have distinct functional requirements, which although matched in some measure in corresponding items used by civilians, would require both in their firm technical characteristics, and in the volume in which they would be required in a mobilization, large scale changes, in time of war, from normal commercial production.

It is important, accordingly, that there be a clear understanding as to the required technical characteristics of these military textiles. These are listed in Appendix A according to "critical", "essential" and "desirable." The definitions used for these requirements are as follows:

Critical — Requirements which cannot be compromised without endangering life, health, or military capability.

Essential — Requirements essential to end item or system performance, the absence of which would adversely affect the accomplishment of a military mission.

Desirable — Requirements which enhance the protection of the user, extend the life of the item, or build morale through improving the military appearance of the troops.

The technical characteristics listed in Appendix A can be accepted as based on extensive research and testing which have established functional performance levels for the materials to be used in the protective clothing and equipment or other items of military equipment. They establish limits beyond which the substitution of commercial materials, either "off the shelf" or from commercial production, could not be made without compromising critical or essential requirements or impacting on the functional efficiency of combat troops in military operations.

The materials currently being used for these various uses, however, are not to be regarded as necessarily the materials which would be required at some future date. Therein lies one of the problems of establishing military reserves. Technological progress of the type which has been occurring in the textile industry during the past twenty years should make it possible to produce new and more efficient materials every ten years or less. This could apply at present both to the textile fibers themselves and to the form in which they are used in the various end items.

On the other hand, it will be apparent from examination of the critical and essential requirements of most military textiles, that these requirements can be met at this time only with woven textiles. There appear to be few places where any significant quantities of knit or non-woven fabrics of the types presently available could replace broad woven fabrics. For many uses, only broad woven textiles approaching the limits of weavability will meet the technical requirements.

There are also significantly large requirements for narrow woven fabrics — webbings and tapes. While the requirement for heavy webbings has been reduced by the adoption of lighter weight nylon webbings in the soldier's pack and load carrying system, the total requirement must be recognized to be large. In this connection it should be noted that there had to be priority action in World War II to build webbing looms to supply the military need.

Other important military technical requirements include those in dyes, particularly dyes in camouflage colors; and specialty textile chemicals; and production equipment for making such items as helmets, parachutes, and tents. In peace-time, there is only a limited industry capacity for these items.

Administrative Actions to Reduce Requirements

The support required of the textile industry in any future mobilization will be different in many respects from what was required in both World War II and the Korean War, and also in important respects from what the industry has been asked to do during the war in Vietnam.

The centralization of procurement of textiles, clothing and related equipment in the Defense Supply Agency, specifically at the Defense Personnel Support Center, has overcome what was one of the most frustrating problems of World War II where there were three separate procurement centers for the Army, the Navy, and the Marine Corps, each competing with the other for the same production facilities and each armed with priorities.

While a modus vivendi was established between these competing services before the war was over, there can be no question that the concentration of all procurement for all the military services in a single procurement center is a distinct gain for the industry and would make its support more effective.

Also, over the past fifteen or more years a major program has been conducted to eliminate as many separate items from the system as possible and to concentrate on standard items which can be used by all of the military services. This standardization and simplification program, which was initiated by a Department of Defense Directive issued 15 October 1954 and carried out over the next ten years, extended throughout the entire spectrum of clothing and equipment items and their component materials. It resulted in substantial savings in costs of procuring and issuing the multiplicity of textile items which are required for support of the military forces. More important, from the industry standpoint, military requirements became concentrated on fewer items.

A summary statement which was prepared in 1962, while the program was still in progress, showed that 88,658 line items had been eliminated from the supply system. (On sized items, each size is carried as a separate line item of supply.)

Examples of standardization would include the adoption of single items for common uses such as underwear, socks, utility clothing and equipment. The case of dress shoes illustrates what was accomplished. During World War II, the Army, Navy, and Marine Corps all bought different shoes made over different lasts. A total of around 295 sizes was required to cover each using service. By the adoption of a new last, common to all services, agreement on the use of black color shoes, and the elimination of alternate widths, a total of only 113 sizes met all requirements except for the Marine Corps which continued to use a brown shoe, although made over the same new last.

This same type of standardization and simplification has been extended throughout the textile and clothing area including component materials in service uniforms. It has resulted in reduced costs to industry and to the government through permitting large runs on a few standard materials and eliminating the costs and delays in changing over from one fabric to another. It has also enabled industry to plan more effectively when military textiles were to be procured and substantially simplified the whole procurement/ production process.

In addition, by adoption of the point system for quality definition of textiles, the military and the industry jointly have achieved a single set of standards by which to determine quality levels for acceptance. This action, together with a continuing program of coordination of specifications with industry has greatly improved communication between the military services and the textile industry, and the basing of the requirements for military textiles upon the changing capabilities of the industry and trends in commercial production.

Industrial Mobilization Planning

A brief word should be said also about industrial mobilization planning and the Mobilization Materiel Procurement Capability for textiles, clothing and other end items made from textiles. Current industrial mobilization planning takes into account the general principle that mobilization reserves of materiel plus stocks in the hands of troops and due in are expected to meet the demands expected to be placed upon the supply system subsequent to M-Day until the rate of industry production for an item of supply equals or exceeds the rate of consumption and continues to do so thereafter. This point in time, referred to as "P-Day", of necessity varies from one product to another.

The most optimistic estimates, where an all-out mobilization effort might be undertaken, could not place P-Day earlier than twelve months after M-Day on most textile products. This timing includes starting of deliveries of textile materials within 3-1/2 months after M-Day, and deliveries of end items starting about 3-1/2 months later. [2a.]

To raise the level of production to a rate that would meet possible demand for initial issue and pipeline supply could not realistically be expected to occur in less than twelve months, if it could be done by that time. Many factors would, of course, influence this timing, and it could be considerably longer on some items. It would be scarcely realistic to assume, however, that after a period of peace lasting for ten to fifteen years, mobilization reserves of cloth and end items could be large enough to spare the industry the need for a major immediate conversion to military textiles on a very large scale, particularly during the first year of the war. The extent and character of such a conversion, in response to industrial mobilization requirements, constitutes, in effect, the precise problem with which this study is concerned.

2a. U.S. Defense Personnel Support Center, Production and Leadtime Estimates, Philadelphia, Pa., July 1967.

III. INDUSTRY RESPONSE TO MOBILIZATION REQUIREMENTS

Conversion of industry on a mobilization scale to the production of military textiles and related products would need to include, among other actions, the following:

— An overall increase in production, if at all possible. This would require some unused capacity being available, relatively large supplies of raw materials, and extra manpower in the major textile producing areas.

— Conversion of mills from making civilian products. This would include utilizing the capacity both of mills making products akin to those required by the military, and those which normally would produce quite different textiles, but which could be converted if either raw materials or yarn could be made available, and if cost was not a deciding factor.

World War II

During the first year of World War II, when a major mobilization necessitated all-out production, the textile industry did succued in increasing total production, as shown in Figure 3.

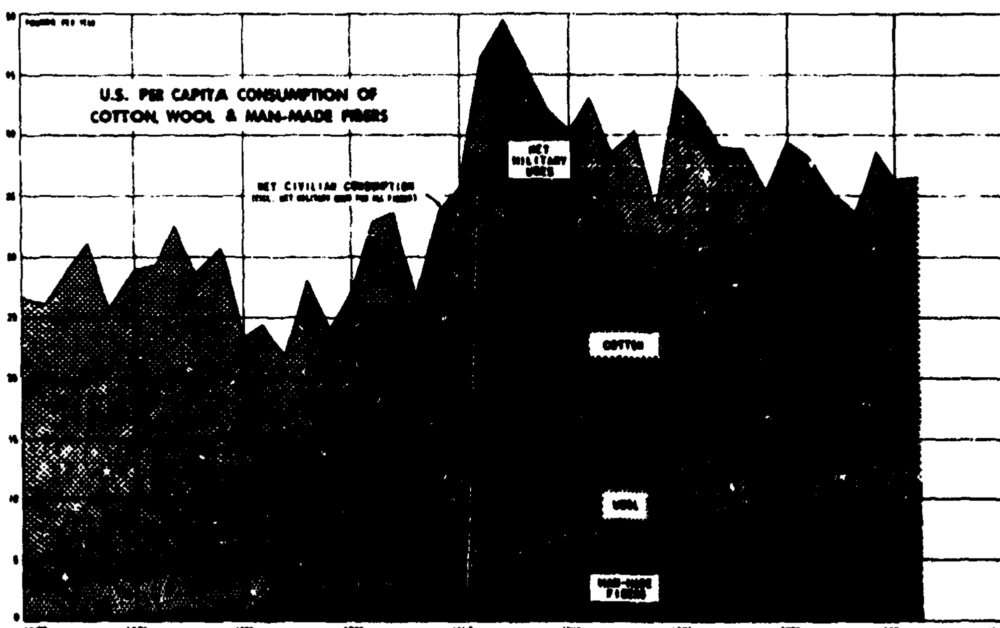

Figure 3
Source: Textile Economics Bureau, Inc., "Textile Organon", March 1962.

In terms of mill consumption of fibers, a peak of 6,896 million pounds was reached, an increase of 6.3% over the previous year, and a high that was not equalled again until 1962. This level of production could not be maintained, however, due primarily to the labor shortage that developed in the textile industry during the war.

Deliveries of textiles, purchased as such by the Army Quartermaster Corps, but not including deliveries to the Navy and Marine Corps, are shown in Table III.

TABLE III

DELIVERIES OF SELECTED TEXTILE FABRICS
TO THE QUARTERMASTER CORPS
(000 sq yds)

	Emergency Period July 1940–Dec 41	1942	1943	1944	Jan.–Aug. 1945
Cotton Cloth	157,441	535,017	626,256	529,514	268,250
Wool Cloth	70,025	120,978	86,220	56,592	70,479

Source: Statistical Yearbook of the Quartermaster Corps, 1943, 1944, 1945.

If allowance is made for the added requirements for the Navy and Marine Corps which were 25% of the Army strength in 1942, 29% in 1943, and 43% in 1944, and for the indirect requirements where the textiles were not procured as such directly from the industry, it will be evident that total military requirements were cutting sharply into those segments of the industry where military requirements were concentrated.

The reduction in the amount of textiles which was left for the commercial market, based upon total fiber consumption has been shown in Figure 3. From a per capita consumption for civilians of 44.2 pounds in 1941, the amount dropped to 34.3 pounds in 1942, and continued to decline to only 27.7 in 1944. This shortage of essential civilian goods in turn created problems of price control of tremendous difficulty which, in fact, proved beyond solution. Clothing price rises accounted for nearly half the rise in the total consumer price index during the war, and the shortage in essential civilian clothing was even more acute by the middle of 1946 than at any time during the war.[3]

Three facts stand out from this World War II industrial mobilization: to meet military demands for a troop mobilization of that size, a very large segment of the total industry had to be converted to producing military textiles. Unused capacity and the conversion of some mills which were curtailed from their normal civilian markets made only a limited contribution to the total output.

3 - Wilfred Carsel, "Wartime Apparel Price Control", Office of Price Administration, U.S. Government Printing Office, Washington, D.C. 1947. p. iii.

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Second, the prompt conversion of sufficient production capacity to meet military demands was successfully achieved only because of the immediate availability of large supplies of raw materials.

Third, the industry did succeed in building up production of military textiles during the critical year of mobilization at a sufficient rate to keep ahead of manpower mobilization. Figure 4 and Table IV show that the peak in textile production, as shown in terms of mill fiber consumption, was reached in 1942, whereas a corresponding rise in manpower came in 1943. Textile production then levelled off while military strength continued to increase.

TABLE IV

TOTAL FIBER CONSUMPTION FOR MILITARY USE

Year	Total Fiber Consumption Calendar Year (000,000 lbs.)	Index	Military Personnel Strength as of 30 June (000,000)	Index
1941	390	100	1.8	100
1942	2179	560	3.9	214
1943	2291	538	9.0	502
1944	2304	590	11.5	636
1945	1646	423	12.1	673

Source: Textile Economics Bureau, "Textile Organon", March 1962; "Selected Manpower Statistics", Department of Defense, OASD Comptroller, April 15, 1972.

Conversion of the Woolen and Worsted Industry

There were four types of military textiles which presented special production problems during World War II. These same types can be expected to present corresponding problems during any future mobilization, since they represent military uses having basic technical requirements. One of these areas was uniform fabrics.

In the conversion of the woolen and worsted industry to military production during World War II, the two basic requirements outlined above could fortunately be met: there was an ample supply of raw wool, and there was available unused manufacturing capacity.

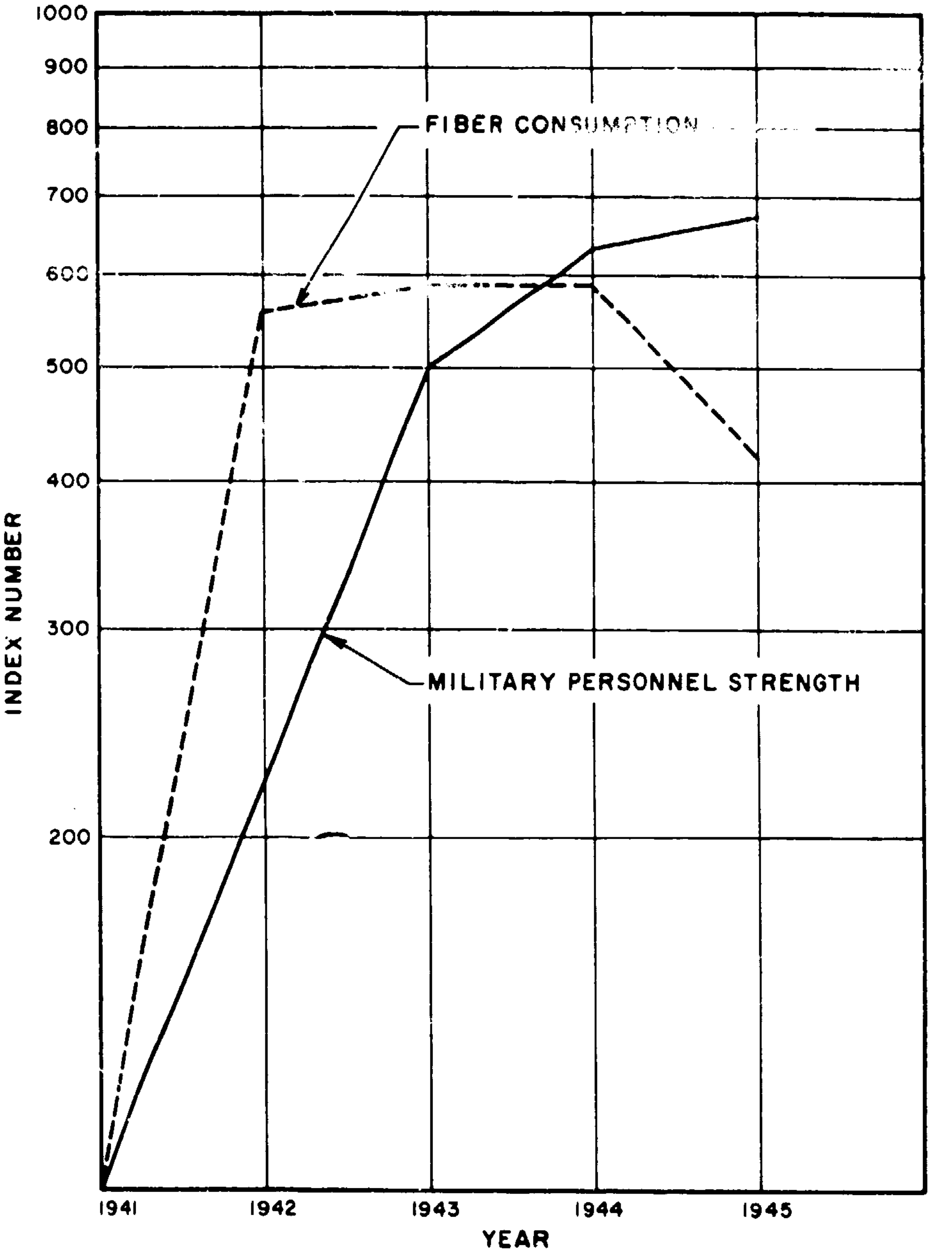

FIGURE 4 FIBER CONSUMPTION FOR MILITARY USES COMPARED WITH RATE OF MOBILIZATION (WORLD WAR II)

By agreement between the governments of the United Kingdom and the United States in December 1940, a stockpile of Australian wool was established in the United States. Due to the submarine blockade, which cut off Australia from European markets, it was decided to move Australian wool to the United States and to create a stockpile of 250 million pounds which could be used by either government. A reserve supply was needed to support the United States woolen and worsted industry, since even in peace-time during the 1930's, domestic production in 1940 amounted to only 189 million pounds (figures on a scoured basis). During 1941, consumption rose to 509 million pounds. In actual fact, with ships returning from Australia, to which they had carried war supplies in support of our troops in the Southwest Pacific, there were ample bottoms for bringing over wool, so that by the end of 1943, even after allowing for the large scale consumption in support of military demands, the stockpile had risen to 400 million pounds.

A particularly important action by the United States government which enabled practically every mill in the industry to participate in military production was the recognition of the differences in cost between integrated mills and those which either did not have combing or spinning facilities, and the adoption of a pricing policy giving a differential in price to mills having to go to other mills for wool tops or yarn. By distributing the heavy buying program over the whole industry, all mills were brought into military production quickly, enabling the industry to reach a high level of production in 1942, the first year of the war.[4]

A special problem arose in getting an adequate supply of wool blankets. This requirement was met in part by the conversion of carpet mills which were shut off from supplies of wool for civilian uses, to producing wool blankets. This type of conversion had been contemplated in industrial mobilization planning, and a number of mills were prepared with experience to make this conversion.

In summary, all of the requisite factors necessary to prompt large-scale conversion of this part of the textile industry were present when the attack on Pearl Harbor set in motion the enormous mobilization of military manpower that was undertaken during World War II.

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4 - Glen F. Brown, "Quartermaster Purchases of Wool Cloths and Blankets for World War II", Textile Series Report No. 1, Office of the Quartermaster General, Washington,D.C. 6 Feb 1946.

Conversion of the Cotton Textile Industry

(Other than Duck and Webbing)

With respect to cotton goods, other than duck and webbing, the same general situation existed as for wool textiles. There were ample stocks of raw cotton, since the carry-over at the end of August 1941 amounted to 12,165,000 bales, and even though this stockpile was reduced during the war, there was still a stock of 11,163,700 bales on hand at the end of the war in August 1945.

Also, as with wool, the build-up period prior to Pearl Harbor had initiated the industry into relatively large-scale production of military textiles, with resulting conversion of a certain part of the industry's manufacturing capacity. Also, many of the textile fabrics required by the military were either identical with or closely similar to corresponding civilian textiles, so that a change-over to military production could be made with a minimum of disruption.

The most important unbalance that occurred was in fine combed cottons, where the military need for heavier fabrics than were normally produced in most fine goods mills, plus the requirement for plied yarns, created a shortage in spinning and twisting capacity. Delays resulting from this situation cannot be said to have been critical, since some substitutions of carded single yarn fabrics were made as on the Army's 8.2 oz. uniform twill, and in general, the industry met the military delivery schedules. It was apparent, however, in 1944 when planning got underway for the attack on Japan, at a time when we were simultaneously involved with the problems of the winter of 1944-45 in Europe, that military requirements had reached the limits of the capacity of the combed goods segment of the cotton textile industry. Fortunately, the war ended before this limitation affected military operations.

Conversion of the Cotton Duck and Webbing Industries

The two other types of textiles where difficult production problems arose during World War II were cotton duck and webbing. Securing the requirements of cotton duck and webbing for tents, paulins, equipage, covers, carrying cases, and the many miscellaneous military requirements for duck and webbing became the major problem of textile supply during World War II.

The basic difficulty was that the cotton duck industry was relatively small and in peacetime did not produce anywhere near the quantities required in time of war. In a sense it resembled the armaments and ship-building industries. Unlike those industries, however, the solution in increasing output did not lie in building large, new production facilities, but in skillful conversion of other mills to the making of cotton duck. A similar problem existed in the narrow fabrics industry which did not produce in peace-time anywhere near the quantities, particularly of heavy webbings, required by the military mobilization.

In addition to the requirement for increased yardage, there was the further requirement that all duck destined for tentage, paulins, and other covers, required fireproofing with the Fire, Water, Weather and Mildew Resistant treatment which had been adopted by the Army in 1941. The finish, developed by Wm. E. Hooper & Sons, Baltimore, Maryland, necessitated the setting up of finishing plants designed to apply the finish from a solvent rather than by wet finishing; also, it required two essential materials: chlorinated paraffin and antimony oxide, the latter having to be imported, with principal supplies coming from Africa. Supplies of both materials were short, together with the copper naphthenate later added to provide mildew resistance. Furthermore, the technology was new, many new producers were needed to provide the required output, and, overall, the experience reflected the technical difficulties of going into production on a new textile finish before the process technology had been proved and the product adequately tested. [5]

Since tents were going to have to be required for housing of troops while cantonments were being built in posts, camps, and stations, and for all forms of shelter required by our expeditionary forces, the total requirements were not only great but the need for immediate supply was critical.

Tents supported by poles and pins are the most efficient portable shelter there is with respect to cost, weight and bulk, and also require the minimum transport facilities of any form of shelter. A typical tent, the Tent, General Purpose, Medium, weighs only 0.91 lbs per square foot of floor area. Tentage thus constitutes an essential requirement for an army moving into combat, particularly in temperate and cold climates, as well as in areas of heavy rainfall in the tropics. This was true in World War II, and is still true — there has been no replacement developed for the pole-and-pin tent that is as efficient for troops in the field.

The existence of the problem of getting an adequate supply of duck was well understood both by the industry and by the military. The Quartermaster Corps had worked out mobilization plans for conversion of mills to producing duck and the industry knew that drastic measures would have to be taken. What neither was prepared for, as the crisis in supply developed, was the impact of separate procurement by each military service, and by the end-item contractors who were to use contractor-furnished materials. The cross-bidding that occurred created inordinate confusion in the industry. On the basis of competitive bidding, a mill might get twenty requests for quotations on an invitation to bid, and might get no sooner warped up to supply one order than it would receive another order with a higher priority.

Fortunately, in February 1942, procurement of all cotton duck was centralized in the Quartermaster Corps for all military and essential civilian use, and procurement placed on

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5 - J. O. Small, "Duck, Cotton: Fire, Water, Weather and Mildew Resistant", Office of the Quartermaster General, Washington, D.C., Sept. 1945. pp. 10-13.

a negotiated basis. A mill could, in a matter of a few minutes, come out with an order in hand. Prices ranged from the level of the integrated mills to a level some fifty percent higher for the converted mills. The conversion of some of these mills was made possible by the fact that the Japanese conquest of Indonesia and Malaya cut off the supply of crude rubber to the United States, thereby reducing tire manufacturing and making plied cotton yarn manufacturing capacity available for other uses. The 70 million pound capacity for plied cotton yarns of the tire manufacturers could thus be made available to carpet and other mills which had no cotton yarn production of their own. This situation continued into the summer of 1943 when synthetic rubber began to come into production.

The degree and character of conversion for the production of cotton duck is shown in Table V.

TABLE V

SOURCES OF COTTON DUCK PRODUCED IN 1942

Classification	No. of Mills	Tentage and Ounce Ducks	Numbered Ducks
		(Sq.Yds)	(Sq. Yds.)
Cotton and Duck Mills	34	111,345,649	
Carpet Mills	20		21,719,317
Tire Fabric Mills	5		13,142,501
Velvet, Upholstery & Plush Mills	17	19,805,939	
Rayon Mills	1	255,556	
New Duck Mills	1		2,000,000
Paper Weavers	1		987,778
Woolen Mills	2	590,000	
Yarn Mills	1		73,832
Total	72	131,997,144	43,064,462

Total Yardage — 175,064,462

Source: The Quartermaster Duck and Webbing Pool, Col. Robert T. Stevens and Ralph A. Butland, Office of the Quartermaster General, Washington, D.C., Feb. 1, 1944. p.21.

From the above, it will be noted that 63,718,813 yards, or approximately 36% of the total procurement came from converted sources. In addition, a substantial part of the tentage duck came from mills which did not ordinarily produce duck.

It should be noted also that many substitutions were made for cotton duck. Thus, flat ducks (single yarn fabrics) were used in the side-walls of tents to reduce the demand for plied yarn fabrics; lighter weight ducks were adopted for heavier fabrics wherever possible, and a 10.6 oz. twill was produced as a substitute for duck for tentage. Unfortunately, it lacked the tightness essential for tent fabrics, and tents made from it leaked.

In October 1942, a Duck and Webbing Pool was established with a revolving fund of $200,000,000 with authority to purchase fabrics not against specific requirements, but against the best estimates of needs, and with the pool stocks to be merchandised on a revolving basis. The operations of the Quartermaster Corps on cotton duck, including those of the Duck and Webbing Pool, over a two-year period, January 1942 to January 1944, involved a procurement of 720 million yards; shipments and allocations for use during that period of 700,000,000 yards, with a remaining inventory of all types of 20,000,000 yards on hand. [6]

The importance of operating controls of the type established in the Duck and Webbing Pool is clearly brought out when consideration is given to the unplanned requirements that developed and which must always be expected on a multi-use material like duck. During the year 1943 alone, the following unforseen requirements had to be met.

TABLE VI

UNPLANNED REQUIREMENTS FOR COTTON DUCK – 1943

User	Quantity (yds)
Army Postal Service	22,700
Marine Corps	1,097,232
Maritime Commission	1,677,668
Navy Department	20,037,698
Panama Canal	1,850
Quartermaster Corps	3,563,808
Red Cross	100
Strategic Services	5,888
Treasury	4,302,830
War Aid	28,225,983
Total	58,935,757

Source: The Quartermaster Duck and Webbing Pool, Col. Robert T. Stevens and Ralph A. Butland, Office of the Quartermaster General, Washington, D.C. Feb. 1, 1944. p. 23.

6 - Col. Robert T. Stevens and Ralph A. Butland, The Quartermaster Duck and Webbing Pool, Office of the Quartermaster General, Feb. 1, 1944. p. 36.

The effectiveness of the Duck and Webbing Pool in getting supplies of grey goods into production did not, however, of itself solve the problem of getting tents into the hands of troops, or even of getting fabric into the hands of tent fabricators. The need to build-up a finishing industry to apply the FWWMR finish was another problem. The time involved in getting textile materials through the manufacturing process for delivery as finished materials is well illustrated in Figure 5. This chart was prepared at the Jeffersonville Quartermaster Depot at the end of World War II to make a permanent record of the time required to produce finished tent fabric.

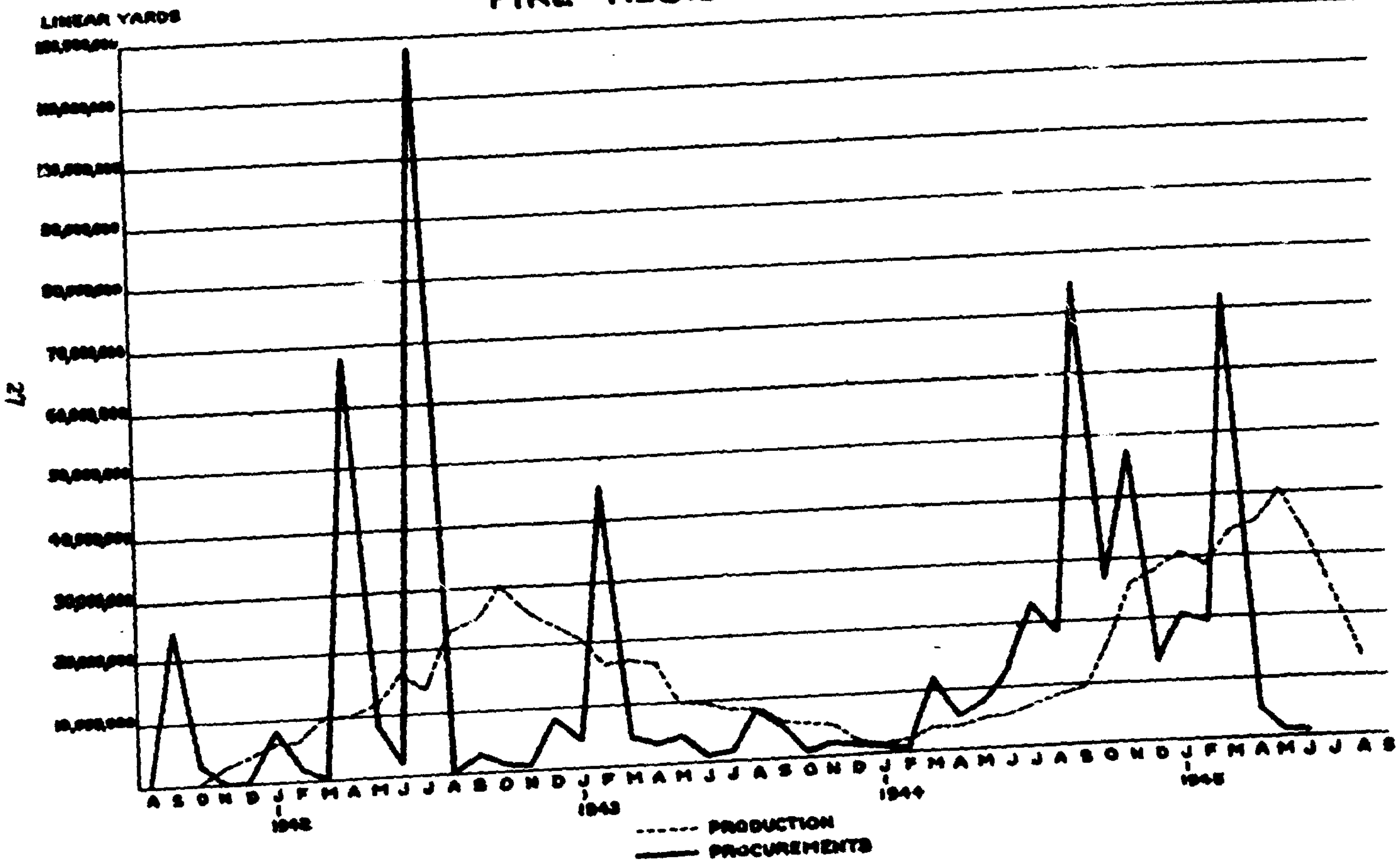
Here it will be noted that it was the procurement in September 1941 that started the production of the FWWMR finished cotton duck. Large procurements did not occur until April 1942, and it was not until six months later that production hit a peak. Allowing three additional months as the minimum for fabrication of tents, this would mean that the big quantities of tents required in support of mobilization did not begin to come out of production until the Fall of 1942 and the Winter 1942-43, almost a year after the war had commenced.

It should also be noted that following this big peak, the industry was largely shut down in late 1943 and early 1944, until new requirements came for the support of the invasion of Japan and for replacement of tents that had failed in field exposure and use. Again, it was nine months from the placement of the big procurement in September 1944 before the production of the finished FWWMR duck reached its peak. However, some sizeable quantities became available within two months after the placement of the contracts. This was possible because the Duck and Webbing Pool held stocks of grey goods which could be immediately put into finishing. Where grey goods had to be produced, the time period was longer. It should also be noted that in order to manufacture tents, priority production had to be initiated for long-arm sewing machines, since there was not an adequate supply of these machines in the canvas goods manufacturing industry.

It must be kept in mind that the tent problem will always be with us in any future mobilization. There will always be need for shelter in the field just as there will be a requirement for food, for motor fuel, for weapons and ammunition, and for clothing. The requirement for portable field shelter may be minimized in the tropics, but in colder climates, field shelter must be available. Assuming the availability of local housing for troops and supplies, for hospitals and headquarters operations involves uncertainties and risks that cannot be made part of long-range planning.

Accordingly, this problem of making provision for the availability of large quantities of a fire resistant, water resistant fabric that can be used in tents constitutes a major challenge to the textile industry and to military research and development, particularly since the trends in the industry point toward further reduction in the manufacturing capacity for producing the kinds of fabrics which have met this need in the past.

FIGURE 5
MONTHLY PROCUREMENT AND PRODUCTION
OF
FIRE RESISTANT DUCK



The problems of supply of webbing, while similar in character to those on cotton duck, could not be solved by conversion alone but only by the production of additional webbing looms. Since the major shortage was in heavy webbings for parachutes, machine gun belts, equipage, and similar uses, it was essential that additional heavy webbing looms be produced as quickly as possible. There were only two webbing loom manufacturers in the United States — the Fletcher Works, Philadelphia, Pa., and Crompton & Knowles Loom Works, Worcester, Mass., having a combined maximum production of about five looms per week. That production rate, however, could not be reached for at least ten weeks. A total of 28 looms was approved for purchase but delivery to contractors manufacturing webbing was not completed until October 1942. [7]

A significant conversion program was carried out to convert the elastic webbing manufacturers to producing webbings for military uses, since otherwise they would have had to shut down due to cut off of their supply of rubber for elastic thread.

This summary of textile industry support of military mobilization during World War II illustrates three things in particular: the difficulties involved in meeting military requirements where there is only a small industry production base in peace-time; the necessity for planning how to meet the requirement through prior development of alternate materials and adequate planning for the converting of mills quickly to making a product they are not normally prepared to make.

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7 . Col. Robert T. Stevens and Ralph A. Butland, The Quartermaster Duck and Webbing Pool, Office of the Quartermaster General, Feb. 1, 1944. p. 44.

The Korean War

Supply support on textiles and clothing during the Korean War operated under circumstances which were markedly different from those existing during World War II. A review of the response made by the textile industry to the mobilization requirements should take into account especially the following aspects:

— The suddenness of the outbreak of the war and the rapidity of its intensification during the first year. The war broke out without warning by invasion of South Korea on June 25, 1950. The Inchon landing was made on September 25, 1950, followed by the allied advance into North Korea. Then in November 1950, the Chinese Communist counter-thrust began, with the Allied forces being thrown back into South Korea. By June 1951, the front had been stabilized around the 38th parallel, and for the following two years, until the armistice was negotiated in July 1953, the conflict was characterized by position warfare.

— The limited extent of mobilization of the armed forces. As pointed out earlier, the U.S. military forces were about doubled during the first year of the war and were not greatly increased above that level: from 1,460,261 in June 1950, to 3,249,451 a year later, and only 3,635,912 at the peak in June 1953.

— Requirements of the Korean climate for extreme cold climate clothing during the winter. This clothing utilized wool insulating layers which necessitated substantial purchases of wool cloth.

— The absence of price controls early in the war which, coupled with anticipated purchases of wool cloth and a wool reserve, led to a speculative rise in the price of wool. The price of wool skyrocketed from $1.21 in the recession of mid-1949 to $3.31 per pound (scoured basis) in January 1951 when trading was suspended on the New York Exchange. The price of cotton also rose from around 30 cents in mid-1949 to over 45 cents in January 1951. (See Figure 6 and Table VII).

— The availability of carry-over stocks from World War II on some items.

— Administrative problems in procurement. Without stressing this aspect, which has been adequately covered elsewhere,[8] it should be noted that during Spring 1950, there had been a considerable reduction in force in the New York Quartermaster Procurement Agency, so that the office was under-staffed when the war broke out, and had lost many of its most competent procurement specialists. Also, regulations were not relaxed to the extent they were in World War II to expedite procurements. Policies required channeling procurement into depressed areas. Then, when the Office of Price Stabilization

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8 - John V. Haggard, Procurement of Clothing and Textiles, Q.M.C. Historical Studies, Series II, No. 3. Office of the Quartermaster General, Washington, D.C. 1957.

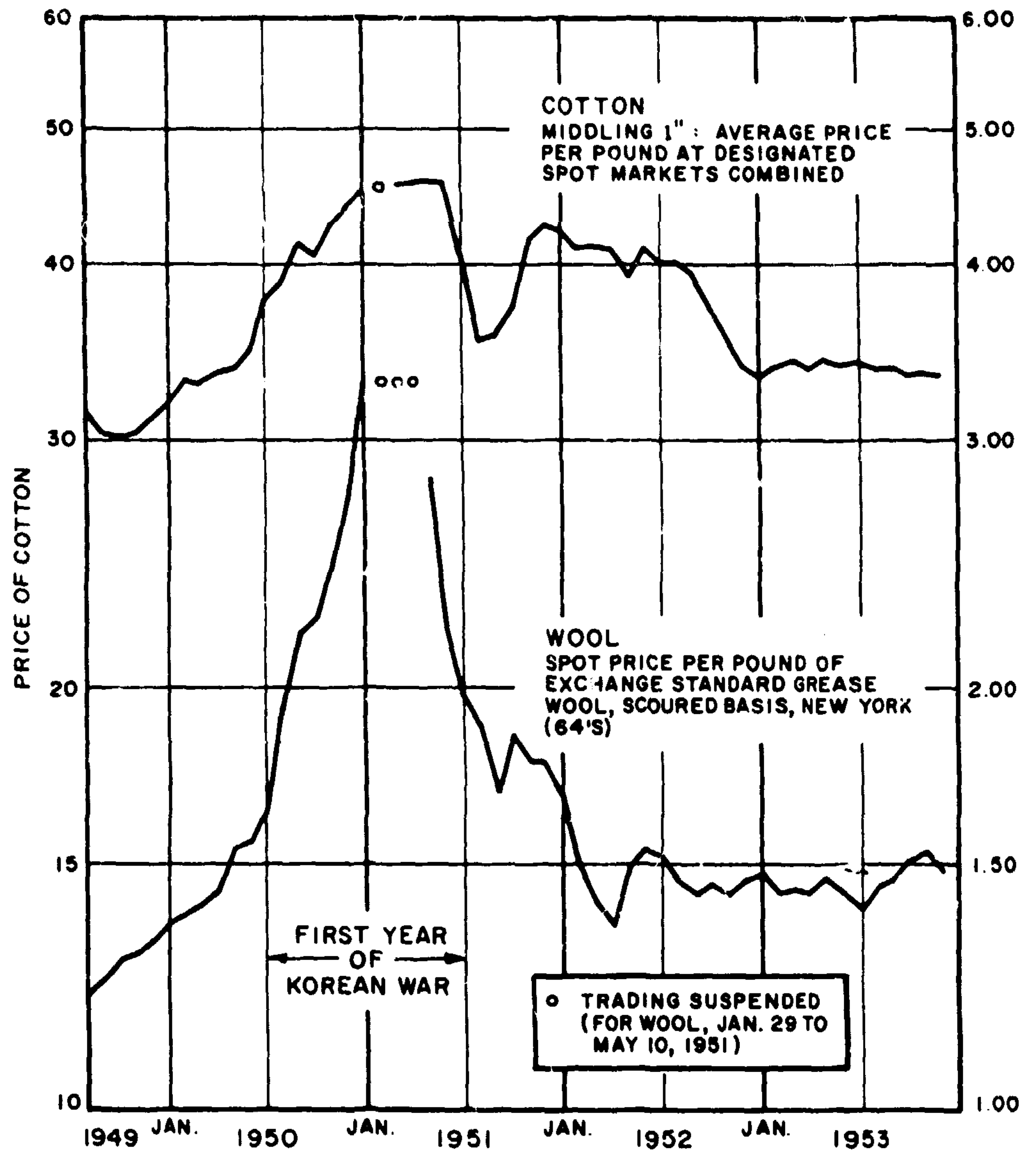

FIGURE 6 PRICES OF COTTON AND WOOL DURING THE KOREAN WAR

TABLE VII

PRICES OF COTTON AND WOOL DURING THE KOREAN WAR

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						Cotton[1]						
1950	32.02	33.01	32.96	33.48	33.91	34.74	37.89	38.71	41.31	40.49	42.92	43.29
1951	44.88	*	45.80	45.84	45.90	45.88	40.59	35.42	35.56	37.42	41.88	42.64
1952	42.33	41.05	41.24	41.22	39.20	41.20	40.17	40.20	39.50	37.24	35.39	3[illegible].81
1953	33.34	33.86	34.21	33.93	34.29	33.99	34.14	33.77	33.60	33.47	33.53	33.42
						Wool[2]						
1950	135.1	135.8	140.0	143.7	154.5	155.7	164.3	193.5	219.4	225.1	245.1	274.1
1951	331.1	*	*	*	282.8	220.7	199.6	187.0	159.1	185.6	177.5	177.4
1952	167.0	150.1	140.7	135.6	149.0	153.9	151.9	145.7	143.3	145.2	143.3	145.0
1953	148.0	142.6	143.9	144.2	147.0	143.2	139.5	145.1	145.9	1[illegible]2.1	[illegible]3.1	148.9

Source: Cotton — "Statistics on Cotton and Related Data, 1930-67"
Wool — "Wool Statistics and Related Data, 1930-69"
US Department of Agriculture, Economic Research Service, Washington, DC.

1 — Cotton, American Middling 1", average price per pound at designated spot markets combined, by months.

2 — Wool, Spot price per pound of exchange standard grease wool, scoured basis, New York, by months.

* — Market closed.

tried to halt the inflationary rise of cotton and wool prices by placing ceilings on prices paid for military fabrics, industry was unable to bid. Time was lost in resolving this problem. In February 1951, the Munitions Board warned that because the equipping of inductees was seriously threatened, "Planned increases of Army inductees have already been stopped". [9]

It should be added at this point that ultimately, in May 1952, all procurement of textiles and clothing was brought under a single agency, the Armed Services Textile and Apparel Procurement Agency (ASTAPA) at 16th Street in New York. As will be evident from the stress which has been placed here upon industry response during the early stages of mobilization, this action came too late to solve the most critical problems involved in bringing the production potential of the industry to bear upon the needs of the military.

The aspects of industry response of most interest to this study relate to the timeliness of industry production and the readiness of industry to meet a sudden demand where war broke out without warning. Figures 7 and 8 and the accompanying Tables are quite revealing as to the seriousness of the delays in the supply response to the military requirement.

Interpretation of these charts requires some care since the reporting year changed from a calendar year in 1950 to the fiscal year ending June 30 in 1951. Accordingly, the last six months of 1950 is reported twice. On the other hand, since only annual data are available, it is possible to get some picture of what happened during the first six months of the war — the period from July to December 1950.

It will be evident from Figure 7 which shows deliveries of textiles direct to the Army Quartermaster Corps for use as government furnished materials, that no supplies of any size were received during the entire year 1950, which would include the last half of that year. Quite obviously, most of what is shown as delivered during FY1951 therefore came in the last half of that year, or after January 1951. It is clear that a backlog of demand for textile fabrics was building up due to delays in production which could not be met until more than a year after the war started, as shown by the fact that the first big deliveries came in FY1952.

The impact of this delay upon end-item production is shown in Figure 8 which shows deliveries of selected end items. Those which have been chosen are basic volume items of clothing and equipment, and some of the figures used represent averages of deliveries on several items in order to reflect as well as possible, a general picture of end item deliveries.

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9 - Ibid. p. 152. Quotation from letter, John D. Small, Chairman, Munitions Board to C.E. Wilson, Director, Office of Defense Mobilization, 16 Feb 1951.

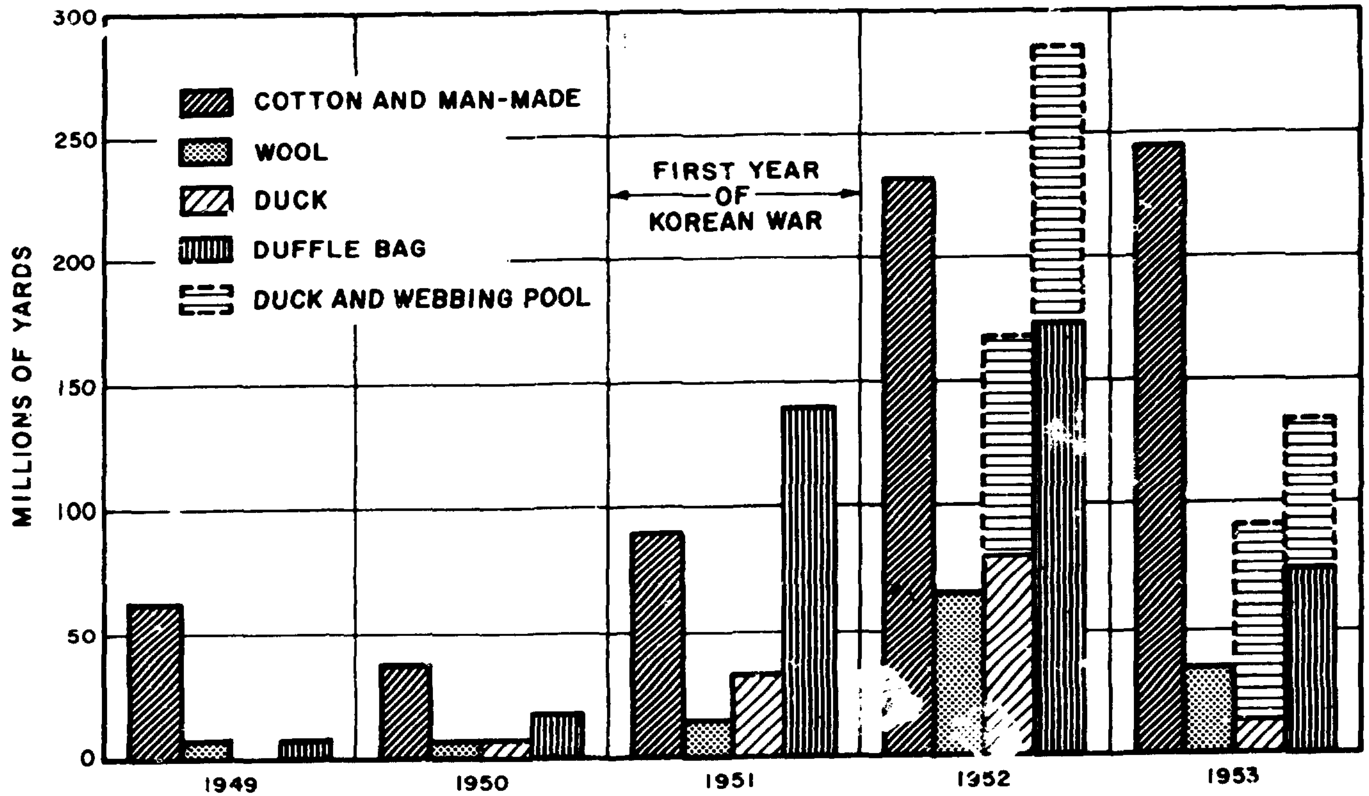

FIGURE 7 DELIVERY OF TEXTILES TO THE QUARTERMASTER CORPS (KOREAN WAR)

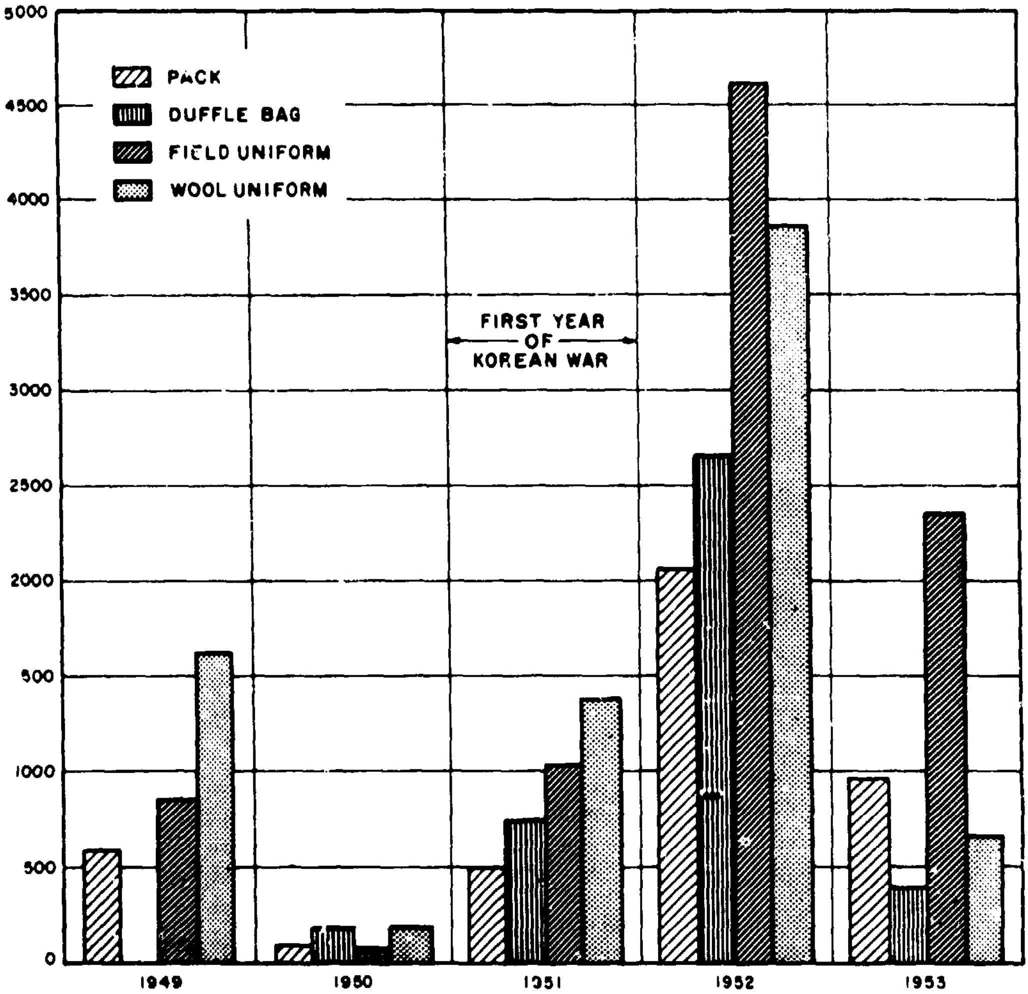

FIGURE 8 DELIVERY OF SELECTED QUARTERMASTER ITEMS (KOREAN WAR)

32-859 O - 78 - 8

TABLE VIII

Deliveries of Textiles to the Quartermaster Corps During the Korean War

(000 omitted)

Calendar Year	Cotton & Manmade (Sq. Yds.)	Wool (lin. yds)	Duck (Sq. Yds)	Webbing (Lin. Yds.)
1949	63,334*	6,122	0	7,324
1950	37,837	6,320	6,333	17,946
Fiscal Year				
1951 ***	91,940	15,937	34,963	140,825
1952	233,519	64,322	167,781 (88,115) DWP	286,274 (113,113) DWP
1953	243,007	34,096	93,020 (78,870) DWP	207,412 (133,042) DWP

* Includes 36,529 cn yards of 8.2 oz. khaki uniform twill.
*** Includes last six months of calendar year 1950.
DWP -Purchases for the Duck and Webbing Pool.

Source: Statistical yearbook of the Quartermaster Corps, 1950, 1952, 1953. for both Table VIII and Table IX.

TABLE IX

Deliveries of Selected Quartermaster Items 1947 - 53

(000 omitted)

	1947	1948	1949	1950	1951	1952	1953
Average of Three Pack Items (pack combat, pack cargo, suspenders)	44	58	581	87	478	2077	952
Duffel Bag	105	467	0	187	737	2648	372
Average of Six Items of Field Clothing (Winter underwear, HBT shirt & trousers, Field jackets & trousers)	582	1102	844	70	1029	4722	2352
Average of Two Items of Wool Uniform (Jacket & Trousers)	3214	1176	1621	169	1392	3858	656

Notes: 1947 to 1950, calendar years; 1951 - 53 Fiscal years. Dates for F/Y51 includes deliveries during last 6 months 1950 C/Y. 1947 - June 49 includes allocations for Army, Air Force and civilian component; July 1949 to 53 for Army and civilian components only.

Here again, and even more dramatically, is shown the delay in obtaining supplies for support of troop mobilization during the first six months of the war, the last half of the calendar year 1950, and the relatively small supplies during the second six months of the war.

As in World War II, the critical areas of supply were again wool fabrics, fine combed cottons, and duck and webbing. With respect to the problems on wool textiles, there was first the initial absence of price control. This stimulated the price rise that later got out of control when the Chinese Communists entered the war in November 1950, creating concern that a Third World War was in the making, and that an all-out military effort might be required. The wool textile requirements were augmented by the cold climate of Korean winters, and then there was the concern about wool supplies which led to the decision to stockpile 100,000,000 pounds of wool, part in fabrics, in order to reduce the time lag in production in case the war escalated, and part in raw wool. So far as industry manufacturing capacity was concerned, there were no significant problems, other than those created by the policy to channel contracts to mills in depressed areas and the delays involved in resolving contract prices.

On fine combed cottons, no serious problems arose in obtaining supplies once contracting got underway. However, in duck and webbing the same shortages developed as had arisen during World War II. The carry-over of stocks in the Duck and Webbing Pool from World War II helped out in the early stages of the war, but on new procurements the imbalance between demand and available supply was again evident.

The details of the procurement operation on duck and webbing are adequately covered in QMC Historical Studies, Series II, No. 3, referenced above.[10]

Mention should be made of the fact that during 1951, consideration was actually given to purchase of duck abroad and preliminary inquiries were made of plants in England, West Germany and Italy. Also, there was conversion of carpet and other textile mills again. By the end of 1951, 31 integrated mills had been supplemented by 66 converted plants. The converted plants accounted for approximately 100,000,000 yards of the year's total production of 180,000,000 yards purchased by the New York Quartermaster Procurement Agency.[11]

By directive of the Munitions Board, a duck and webbing pool was established on 3 April 1952. The objectives of this Duck and Webbing Pool were different from that of the Pool established during World War II. In addition to dealing with the current supply problem, it was visualized as constituting an operating reserve for immediate availability

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10 - Ibid. pp. 60-73.
11 - Ibid. pp. 68-69.

in case of unforseen requirements, emergencies and mobilization. Its objective was, accordingly, to have on-hand a balanced stock of duck and webbing which would be adequate to supply all military requirements, for an estimated six month period following mobilization. It was planned that as stocks were turned over to a using military agency, that agency would reimburse the Pool and these funds would then be reinvested in more duck and webbing.

The original concept of the Duck and Webbing Pool was not to buy a stock of duck and webbing to be set apart as a mobilization reserve, but rather to use mobilization requirements as a gauge to dete[illegible] reasonable stock levels to be maintained. If war should break out, stocks on hand and due in to the Pool would be available which would add depth to the mobilization reserve.[12]

It should be noted that after the Korean War passed and military demand for duck and webbing declined, the original concept of the Pool became superseded by the problem of carrying such a large capitalized stock, particularly after the creation of the Defense Supply Agency. With emphasis upon turn-over of stock and reduction of capital assets in supplies, pressure built up to utilize these stocks and to reduce the Pool assets.

To make it clear that the production of cloth in weaving mills does not of itself meet the entire requirement, it should be pointed out that an equally critical problem in supplying duck for tentage and covers was the supply of the antimony oxide and chlorinated paraffin needed to apply the Fire, Water, Weather and Mildew Resistant Finish (FWWMR). Also, some of the duck could not meet the minimum water resistance requirements after finishing. There was a further problem of supplying the mildew inhibitor for dyed duck for equipage. The supply problems in this area proved to be the source of further delays in getting end items into the hands of troops.

Altogether, it will be apparent from a detailed study of the Korean War supply operation in this area that, should our country be confronted at some future date by a similar sudden outbreak of a war, if the procurement/supply/mobilization operation could not be handled with less confusion and delay than characterized what was done in 1950/51, there could be an actual breakdown of supply of textiles and the end items made from them. The long time lag in getting new supplies into the system would far exceed any conceivable reserves. The most disturbing aspect is that from the industry standpoint there was no real production problem, other than on cotton duck and webbing. There were adequate supplies of raw material to be had: the cotton carry-over August 1950 was 6.8 million bales; world wool supplies were around their all-time high of 4 billion pounds (grease basis). The wool textile industry had large unused capacity and, except for duck, there was ample capacity elsewhere in the textile industry. If, under such conditions which can probably never be duplicated again, there were supply failures, the need for effective mobilization planning in the future with specific plans to eliminate the kinds of delays that occurred during the Korean War would certainly be needed.

12 - "Questions and Answers Regarding Department of Defense Duck & Webbing Pool," dated 7 March 1952. A memorandum prepared for a meeting in Office of the Quartermaster General with Under-Secretary of Army and members of The Munitions Board.

The War in Southeast Asia

Our involvement in Southeast Asia which had been gradually increasing prior to 1964 was deepened following the attack by North Vietnamese patrol boats on two United States destroyers in the Bay of Tonkin in August 1964. Following this attack, there was the movement of North Vietnamese forces into South Vietnam and in February 1965 an attack upon U.S. bases at Pleiku in the Central Highlands and at Nha Trang on the coast. In June 1965, U.S. troops of all services in Vietnam numbered some 50,000 men. Soon thereafter, however, within 120 days, we had moved over 100,000 men into Southeast Asia. By December 1966, the number of troops in that area had passed the 400,000 mark.

This build-up came at a time when the stocks of clothing and textile items held by the Defense Personnel Support Center were relatively low. There were only limited mobilization stocks, primarily because of budgetary limitations. Furthermore the clothing industry was enjoying an exceptional boom, and manufacturers were reluctant to bid on government contracts.

Notwithstanding the increased pace of procurement to support the escalation which began in mid-1965, the military requirement did not place a serious strain upon the textile industry. Actually only a relatively small part of the industry became involved in supporting military procurement. Even the erosion of production capacity in the three critical areas of wool textiles, fine combed cotton goods, and cotton duck, which accelerated during this period, did not cause serious limitation upon supply of military requirements. Despite the fact that 1966 was a year of very strong civilian demand, the textile industry met all requirements placed upon it without recourse to rated orders. Even in end item manufacturing, where rated orders had to be issued, the problems of obtaining requisite supplies were not of a character that could be considered as presenting any important lessons in respect to some future mobilization, other than the need to simplify administrative aspects of procurement in order to shorten the time required for award of contracts.

There is one important lesson to be learned from the Vietnam War, however, and that is that such a conflict should not be regarded as an archetype of any future mobilization. With the historic tendency to prepare for the future in terms of the last war, it could be disastrous to assume that because no serious supply failures in the areas of textiles, clothing and equipment occurred while we were in Vietnam, there need be no concern for the future. Rather, the whole array of facts being brought out here points to the concern with which the military should regard the future. The simple fact is that during the twelve years of the Vietnam involvement the textile industry went through almost a metamorphosis, so that the industry as the military knew it in the early 1960's no longer existed by the time our prisoners of war were released. And with the present pace of change, the industry must be expected to be even further altered or transformed a decade or two hence.

What then are the important facts to be considered with respect to textile industry support of military operations during the Vietnam War? The following are probably the more important:

— The gradualness of the increase of our committment led to a continuing demand which was advantageous to those firms which chose to become involved as suppliers to the military. There was reasonable assurance of a continuing flow of business for those who were prepared to allocate a part of their production capacity to military orders. This situation proved particularly true for manufacturers of end items.

— The base of industry support grew smaller as the war progressed, with fewer firms showing interest in military contracts. Many factors contributed to this development: increases in civilian demand; switching of mills from military types of textiles to others of higher profit or better demand; closing of mills, especially in wool textiles due to difficulty of competing with imports; and the administrative aspects of procurement which led to long delays before awards could be made — small business set-asides, awards to depressed areas, Equal Employment Opportunity requirements, government funding policies, etc., all were frustrating to mills operating in a strong civilian market. By the end of the war only a quite small segment of the textile industry had any real interest in supplying military requirements.

— A crisis in cotton duck for tentage was avoided because of the existence of 25,000,000 yards of tentage duck on hand in 1965 from the Korean War Duck and Webbing Pool, which could be turned over to tent manufacturing when the 1965-66 escalation came. Without this stock, the supply of tentage in the early part of the war would have been a sheer impossibility, considering the changes which had occurred in industry capacity for heavy weight fabrics. Also, by the nature of the military operation in Vietnam, it was possible from the start to meet a large part of the total requirements for shelter with semi-permanent construction. In addition, the containers used for transport of supplies proved to serve very well as shelter, offices, etc, where construction of buildings was not practicable or incomplete. In short, the requirement for tentage was not as great as it might have been in some other area of the world where a different kind of war might have been fought.

— The hot climate in Vietnam throughout the year in almost all areas, in addition to reducing the need for tentage, also reduced the need for textiles for the clothing which would have been required had the war been in a temperate climate with a cold winter, or in any other area of the world where cold climate clothing would have been needed. As pointed out in

Appendix A, the per capita requirements for textiles would have been at least doubled in a cold climate area.

In addition to the above factors, it should be noted that due to accelerated research and development by the military, a whole new generation of clothing and equipment had been developed by the end of the war. This new clothing involved changes in fibers and fabrics, as well as in end item design. Some of the changes had been completed before the war got well underway; others were the result of lessons learned as to the needs for improved and more functional items.

Perhaps the greatest motivating force leading to this development program was the stress placed upon reduction in the weight of the soldier's load. This program, known as LINCLOE (Lightweight INdividual CLothing and Equipment) placed stress upon the conservation of the energy of the combat infantryman through reducing the weight of everything he wore or carried.

Among the items affected were the soldier's load carrying equipment. In place of the 9.85 oz. cotton duck used for the pack, a 7-1/4 oz. nylon duck was substituted. In place of heavy cotton webbings, nylon tapes were adopted. This change reduced the weight of this equipment from 5.15 to 3.3 pounds when dry, and even more when wet, since the nylon would not absorb water. Other changes included the adoption of a molded polyethylene plastic case for carrying the new folding entrenching tool, in place of canvas and webbing; the adoption of a polyester batting liner for the poncho as a replacement for the wool blanket; the adoption of an all man-made fiber sweater-sleeping shirt for one made of wool; a nylon/cotton canvas upper for tropical combat boots in place of leather ; and a lightweight 6 oz. combed cotton poplin for a tropical combat uniform in place of a heavier, thicker carded fabric. All of the above items which got into the hands of the troops during the war proved highly successful.

Other important developments were the fire-resistant uniform for Army aviators, made from a high-temperature-resistant polyamide fiber; also, the body armor made from nylon duck, which was worn in combat, and the armor for aircrewmen utilizing a composite of a ceramic and laminated glass fiber.

The development program which resulted in these drastic changes in the textiles required by the military from the textile industry is still continuing, with equally great urgency. The combat load now carried by the infantry riflemen in hot climates, with present body armor, weighs 49.66 pounds, with an added weight of 29.41 pounds for cold climate areas, and 13.62 pounds additional for extreme cold climates (See Table X). In addition, there are extra loads for specialists in the infantry company, such as radio operators, machine gunners, mortar squads, etc., whereas the maximum desirable load from the physiological standpoint should not exceed a third of body weight or about 52 pounds for the average-size man.

TABLE X

THE LOAD OF THE INFANTRY RIFLEMAN

	Weight in pounds
Weapon and ammunition	19.41
Personal Equipment (Load carrying equipment, plus attached items: one full canteen, entrenching tool, etc.)	10.19
Clothing, Environmental Protective, Hot Weather (Including boots and poncho)	8.12
Personnel Armor (Helmet w/liner; body armor vest)	11.94
TOTAL COMBAT LOAD W/BODY ARMOR	49.66
Existence Load (Poncho liner, 1/3 ration, CW protection, toilet articles, etc.)	11.46
TOTAL LOAD, HOT WEATHER	61.12
Added Weight of Cold Climate Clothing	11.63
Added Weight of Individual Equipment, Cold Weather	17.78
TOTAL LOAD, COLD WEATHER	90.53
Added Weight of Extreme Cold Weather Clothing & Equipment	13.62
TOTAL LOAD, EXTREME COLD WEATHER	104.15
Weight of skis, ski poles	9.75
Weight of snowshoes	4.60

Sources: FM 21-15 "Care and Use of Individual Equipment." August 1972
FM 31-70 "Basic Cold Weather Manual." April 1968

Since energy cost levels are conditioned by the weight of the load carried as well as the work demand level, the reduction of the weight of the load is of necessity a priority requirement in research and development of all equipment and clothing carried or worn by the soldier. On-going programs can be expected to further change the type and character of textiles which will be needed for our military forces in the future, and the pace at which these changes will occur can be expected to be related closely to technological advances in industry as well as to military requirements.

It must be expected, accordingly, that the rate of change in military textiles, which has paralleled in some degree the changes that have been occurring in the industry over the past decade or so, will continue in the future. Thus, mobilization planning will require fluidity and adaptability to change with time. In general, it may be expected that with technology proceeding at the pace now going on in industry, a new generation of military clothing and equipment can be expected about every decade for the forseeable future.

IV. THE PRESENT OUTLOOK WITH RESPECT TO AVAILABILITY OF CAPACITY IN THE TEXTILE INDUSTRY

As has been pointed out above, the problem of direct concern here is the capacility of the textile industry to meet the needs of the Military Services in the event of a rapid mobilization of the nation's armed forces in the 1980-85 time frame.

To give realism to this analysis, it has been assumed that mobilization would come suddenly after a period of prolonged peace, and that the mobilization of military manpower would necessitate an increase in the military forces by as much as 100% or more during the first year. While these assumptions have no validity as a forecast, they are not unreasonable in relation to the uncertainties of the international political situation and would be in keeping with the necessities of maintaining a viable military posture. Quite obviously, different assumptions could just as well be used. These have the value of being intermediate between a total mobilization such as characterized World War II, and the limited and gradual build-up which occurred in Vietnam. For purposes of weighing the capabilities of industry support, they provide a reference point from which the changes taking place in the industry can be evaluated.

Just what mobilization reserves might be available on M-Day and for how long a period they could meet the requirements of the troop build-up and actual combat are questions to which there can be no answers. The fluctuations which have occurred in policies with respect to the size of mobilization reserves over the past twenty or more years would not give assurance that after a period of prolonged peace the available reserves could reduce the dependence of the military upon immediate large-scale production from industry within the shortest possible time frame for both textiles and the end items made from them.

A further consideration which need not be given too much weight, but which should not be overlooked, is the possibility that new weaponry might obsolete the protective capability of whatever reserve materiel might be available, or that advances in technology and in military research and development might cause supplies held in reserve to be technologically inferior to what industry could produce or what might be available to a potential foe.

There are, accordingly, two distinct problems from the standpoint of industry support: Would there be a broad industry base to supply the needed military textiles by immediate conversion on a large scale to provide large quantities quickly? And second, if the conflict were prolonged, would the industry base be adequate to meet the needs both of the military and the civilian population? This second point is not to be dismissed lightly in the light of the experience during World War II.[13]

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13 - Wilfred Carsel. op. cit.

Furthermore, as has been pointed out in the analysis of the technical requirements for military textiles, by far the largest part of military requirements falls in the field of broadwoven textiles. Our major concern, accordingly, is with respect to the trends in this part of the textile industry.

Broadwoven Textiles

The broadwoven goods sector of the textile industry is highly complex, being comprised of many quite different types of mills and mill equipment. It would be a serious error to assume that because textile production amounts to around 11 billion linear yards per year (11,156.6 million in 1971), the total market is large in relation to potential military requirements, and that, therefore, there need be little concern about military demands being met in case of mobilization.

Table XI shows the breakdown of the total production for 1971 according to the major classes of broadwoven textiles.

TABLE XI

Classes of Broadwoven Textiles

Cotton Broadwoven Gray Goods	Production 1971 (Million Lin. Yards)	Percent
Duck and Allied Fabrics	183.6	1.6
Sheeting and Allied Coarse and Medium Yarn Fabrics (except Bed Sheeting)	153.52	13.8
Bed Sheeting	205.2	1.8
Print Cloth Yarn Fabrics	1101.2	9.9
(Carded yarns approximately 28's to 42's; threads per sq. in. 85 and above.)		
Tobacco, Cheese, and Bandage Cloth (Threads per sq. in. 84 and under)	1262.4	11.3
Carded Colored Yarn Fabrics (Denims, Chambrays, etc.)	438.7	3.9
Toweling, Washcloth, Dishcloth fabrics	552.0	4.9
Blanketing & Other Napped Fabrics	126.1	1.1
Fine Cotton Goods		
Combed	156.5	1.4
Fine Carded	39.0	.4
Other Woven Fabrics and Specialties (Bedspreads, Drapery, Upholstery, Corduroys, Velveteens, Damasks, etc.)	538.1	4.8
	6156.7	55.2
Man-Made Fiber Broadwoven Gray Goods		
100% Filament Yarn Fabrics	1416.6	12.7
100% Spun Yarn Fabrics & Blends (Chiefly Manmade Fibers by weight; except bed sheeting)	2319.0	20.8
Bed Sheeting	459.3	4.1
Combinations & Mixtures of Filament and Spun Yarn Fabrics	449.3	4.0
Blanketing, Silk, Pope & other speciality fabrics	228.2	2.1
	4885.7	43.8
Wool Broadwoven Goods		
Woolen Apparel Fabrics	76.4	0.7
Worsted Apparel Fabrics	33.2	0.3
Non-Apparel Fabrics	4.3	–
	114.2	1.0
Total Broadwoven Textiles (1971)	11,156.6	100.0

Source: US Bureau of the Census

Note: Totals of classes do not equal totals by groups; some figures are withheld to avoid disclosing figures of individual companies.

Despite the overall size of the industry, much of the total capacity is not prepared to produce textiles conforming to military requirements. Military textiles are concentrated in the following classes of products:

TABLE XII

BROADWOVEN TEXTILES

CLASSES OF MAJOR MILITARY IMPORTANCE

Class	Principal Uses	% of Total 1971 Production
Duck and Allied Fabrics	Tents, Paulins, Covers	1.6
Sheeting & Allied Coarse and Medium Yarn Fabrics	Utility clothing, misc.	13.8
Fine Cotton Goods (Combed)	Lightweight, tightly woven fabrics for water-repellent clothing	1.4
100% Filament Yarn Fabrics	Parachute canopy, body armor	12.7
100% Spun Yarn Man-Made Fiber Fabrics & Blends [14]	Durable-press uniforms, tightly woven fabrics	20.8
Worsted Apparel Fabrics	Uniforms	0.3

From the standpoint of military requirements, the classes of most critical importance at this time, in terms of the volume that would be required in a mobilization, are duck — 1.6%; fine cotton goods (combed) — 1.4%; and worsteds— 0.3%. The current production rates in these classes, as shown in Table XI, are quite limited and, in addition, they are in a downward trend. Requirements for fabrics in the sheeting yarn fabric class would be considerable, and could undoubtedly be met, although production in this group of mills has also been in a downward trend. Requirements from the mills making blend fabrics are at present concentrated in the finer yarn mills. It can be expected that an increased proportion of total military requirements will be made from blended fiber fabrics in the future.

In general, it would not be practicable or in some cases even possible to produce military type fabrics in most classes of mills other than those listed in Table XII. The costs in conversion of such mills in loss of production, where conversion might be even possible, could be excessive and undesirable from the standpoint of the total war effort.

14 — (With respect to the 100% spun man-made fiber and blend class, it should be noted that this class spans a wide range of materials, since the common denominator is simply a spun yarn with 50% or more by weight of man-made fiber - cellulosic or non-cellulosic. The fabrics grouped in this class range from the equivalent of fine cotton goods (combed) through print cloth yarn fabrics down to and including sheetings.)

The Impact of Imports

The impact of imports during the past fifteen years is nowhere more dramatically shown than in the case of woolen or worsted fabrics, with worsteds hurting the most. Figure 9 and Table XIII show the extent of the liquidation of the woolen and worsted industry which has occurred as a result of imports. By 1970 when double-knits rose spectacularly in the men's and women's clothing market, imports had captured half of the domestic market with resulting liquidation of many mills, and had made this area unprofitable because of the lower prices that could be charged on imports from such low wage-rate countries as Japan, Hong Kong and Korea, to the point where continuation of the industry as a viable entity was in doubt.

TABLE XIII

Woolen and Worsted Production and Imports

(Million linear yards)

Year	Production	Imports
1959	311	90
1960	286	111
1961	287	85
1962	310	156
1963	284	161
1964	255	138
1965	267	212
1966	265	204
1967	239	167
1968	243	210
1969	223	191
1970	178	168
1971	113	122
1972	103	125

Source: US Department of Commerce

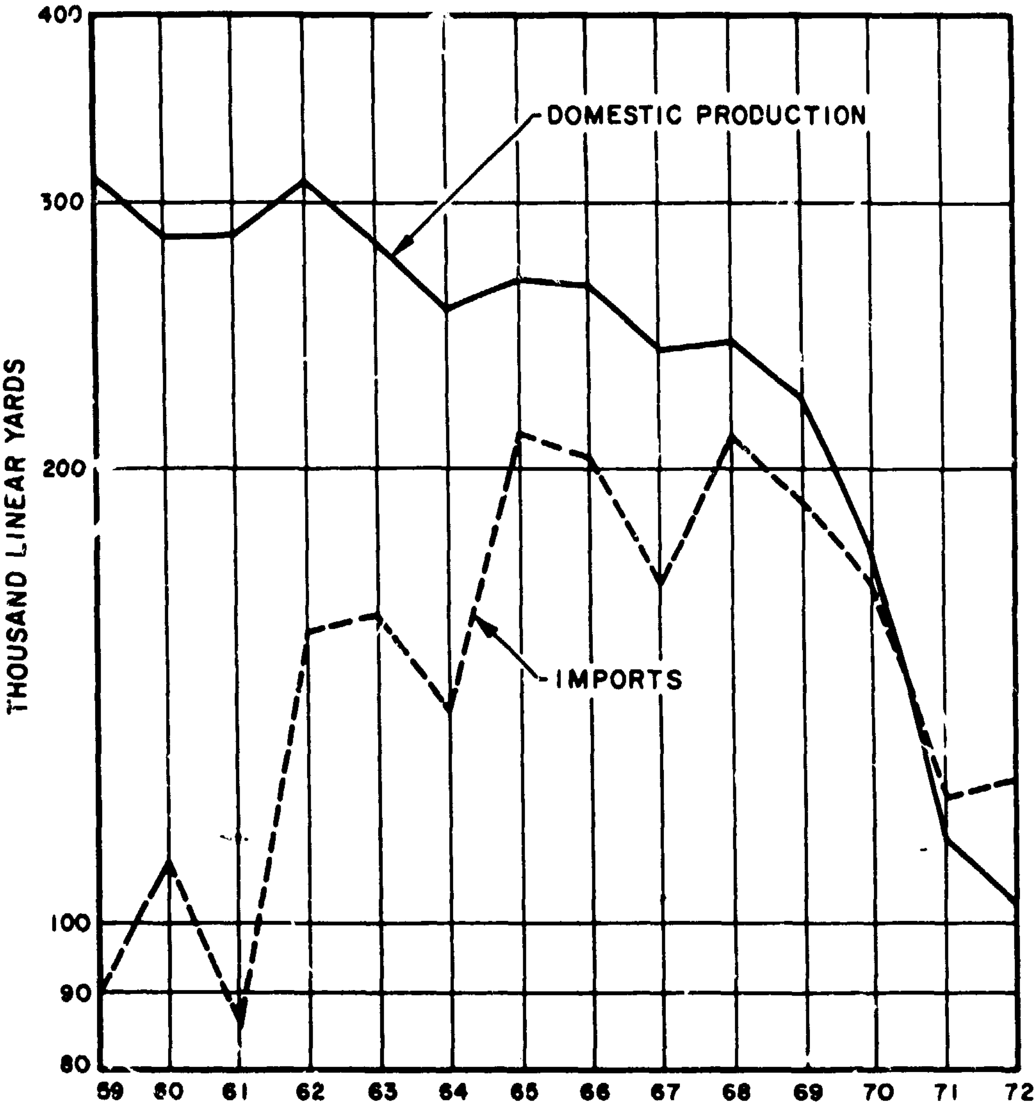

FIGURE 9 WOOLEN AND WORSTED PRODUCTION AND IMPORTS

To those who resort to the claim that the United States textile industry cannot compete because of not keeping its plants modernized, it would be well to point out that in fact the industry has made a very great effort to survive, expending over six billion dollars on new machinery and equipment, new structures and additions during the past ten years.[15]

From the standpoint of meeting military requirements, it is doubtful if what is left of the woolen and worsted industry can continue for the indefinite future, even at its present limited production capacity, or be able to supply even peace-time requirements of uniform fabrics for the armed forces, in the face of the price competition from low wage-rate foreign countries.

While the situation on woolens and worsteds highlights the import situation and its impact upon the United States textile industry, the total impact of imports extends over the entire textile industry and has many implications as to the future potential capacity of broadwoven goods producers. The problems created for the textile industry by uncontrolled and escalating textile imports during the past twenty years are too well-known to require extensive discussion here. The fact that textile imports created in 1972 a balance of trade deficit of $2.3 billion points up the seriousness of textile imports as a national problem,[16] in addition to its direct impact upon potential growth of the United States textile industry.

Partial solutions to the import problem were arrived at in the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA), negotiated in 1962 under the auspices of GATT, to which there were 32 signatory governments. The extensions to the LTA, as recently as in 1970, with an increase in the number of participating countries provided at best only a limited solution to the problem as seen by the American Textile Industry. The LTA provides assurance to the exporting nations that expanding markets, as in the United States, will be available to them to furnish them needed foreign exchange earnings.

The more recent bilateral agreements with Japan, Korea, Hong Kong and Taiwan with respect to wool and man-made fiber textiles have slowed down the rate of growth of imports of textiles from those four countries. The most that can be said for these agreements, however, is that they will retard the steady growth of textile product imports without placing any forseeable ceiling upon the extent to which the growth of the American textile market will be given over to foreign imports.[17]

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15 — US Department of Commerce, Bureau of the Census, Annual Survey of Manufactures, Expenditures for New Plant and New Equipment. Washington, D.C.

16 — US Department of Commerce.

17 — Stanley Nehmer, Deputy Assistant Secretary and Director, Bureau of Resources and Trade Assistance, US Department of Commerce, "Reflections on the Past and Challenges of the Future." Remarks delivered at the New York Board of Trade Annual Textile Award Luncheon, November 27, 1972.

The appraisal by the textile industry that national policy has been pointing toward the turning over of not only the growth in the US textile market to the less developed countries of the world is supported, at least superficially, by the breadth of the international base of textile imports. As shown in Table XIV, 54 countries had exports of over a million square yards of textiles to the United States in 1972. In many of these countries, which fall into the category of "under-developed", the building up of a textile industry has been encouraged as a first step toward industrialization. The technology of textile production is relatively simple and this industry, which is basically labor intensive, is one of the first that developing countries attempt.

Just what the situation on textile imports may be a decade hence is too tied up in international monetary and trade policies to be capable of any forecast. It is not to be expected, however, that imports from the under-developed countries will decline. The ability of the United States textile industry to maintain its present size will depend in considerable part upon whether the growth of imports can be held down to a point where they do not exceed the natural growth of the American textile market.

TABLE XIV

Imports of Textiles — 1972

(Equivalent million square yards)

	Cotton	Man-Made	Wool	Totals
Japan	314.1	1401.2	11.3	1726.6
Hong Kong	488.3	247.4	25.8	761.5
W. Germany	23.9	719.0	2.9	745.8
China (Taiwan)	92.9	592.2	7.6	692.7
Korean Republic	51.3	408.5	11.5	471.3
United Kingdom	13.6	187.7	17.2	218.5
Italy	47.6	141.4	11.0	200.0
Canada	39.7	111.7		151.4
Mexico	96.8	51.0		147.8
India	133.8			133.8
Pakistan	132.4			132.4
Brazil	93.8	14.5		108.3
France	9.3	65.6	4.1	79.0
Belgium	46.2	29.4	3.2	78.8
Israel	7.2	70.4		77.6
Phil Rep	10.8	43.1		53.9
Switzerland	4.4	47.2	1.1	52.7
Colombia	46.9			46.9
Singapor	36.6	7.3	2.8	46.7
Portugal	32.8	9.1	2.3	44.2
Egypt	41.4			41.4
Netherlands	5.7	28.9	1.1	35.7
Ireland		31.8	4.4	36.2
Spain	9.9	22.7		32.6

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TABLE XIV

(Continued)

	Cotton	Man-Made	Wool	Totals
Thailand	27.2			27.2
Rep. So. Africa		24.5		24.5
Malaysia	18.4	1.5		19.9
Austria	4.2	9.9	1.9	16.0
Yugoslavia	10.6	2.4	1.0	14.0
Jamaica	6.7	7.2		13.9
China (Mainland)	10.3			10.3
Poland	8.0	1.9		9.9
Finland	3.2	5.2		8.4
Romania	8.1			8.1
Australia		6.1	1.2	7.3
Costa Rica	2.7	4.3		7.0
Denmark		6.6		6[illegible]
Salvador	6.1			6.1
Argentina		5.4		5.4
Sweden		4.9		4.9
USSR	4.5			4.5
British Honduras	2.9	1.0		3.9
Barbados	1.0	2.9		3.9
Ryukyu	[illegible].1			3.1
Lebanon	[illegible].0			3.0
Macao	2.9			2.9
Nicaragua	2.9			2.9
Ghana	2.5			2.5
Trinidad		2.3		2.3
Morocco	1.9			1.9
Peru	1.8			1.8
Turkey	1.7			1.7
Greece		1.5		1.5
Norway	1.5			1.5

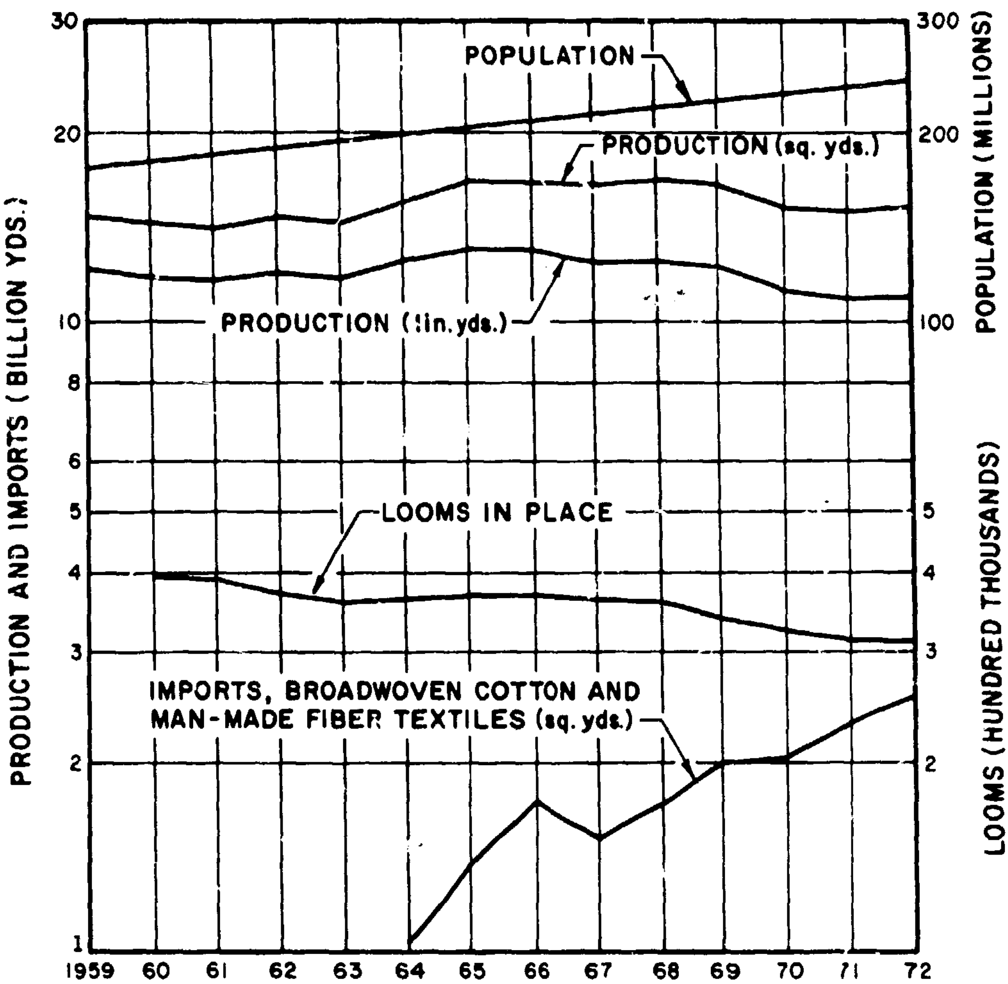

FIGURE 10 COTTON AND MAN-MADE BROADWOVEN GOODS

The Present Outlook for Broadwoven Textiles

Because of the importance of broadwoven textiles in military uses, the fact that this part of the industry is not increasing in capacity proportionate either to population growth or total consumer demand must be a cause of some concern when looking forward to a possible industrial mobilization in an emergency.

As shown in Figure 10 and Table XV, there has been a steady decrease in number of looms from 395,192 in 1960 to 314,590 in 1972.

This decrease in production facilities has been offset, however, by an increase in productivity resulting from installation of wider and faster looms as replacements. The indicated increase in productivity is representative of what has been occurring throughout the textile industry in the effort to reduce costs to meet foreign competition. Figure 11 shows the relative trend in mill consumption of fibers and employment, with employment in the industry dropping from 1,163,400 in 1952 to 991,000 in 1972, while mill fiber consumption rose from 6.4 billion pounds to 11.7 billion. These figures indicate a rise in productivity

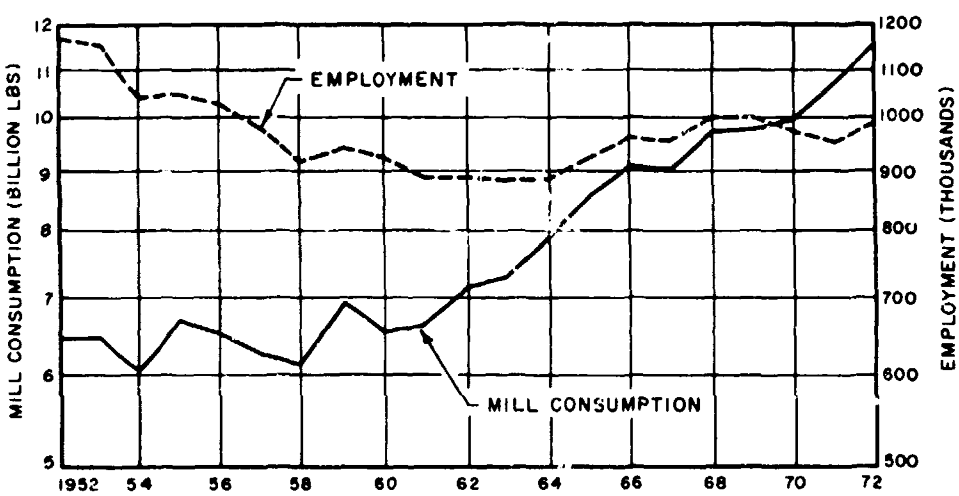

FIGURE 11 PRODUCTIVITY INCREASE IN TEXTILE MANUFACTURING

TABLE XV

Cotton and Man-Made Fiber Broadwoven Goods

	1	2	3	4	5	6	[illegible]	[illegible]	9
Year	Production Linear Yds. (000,000 omitted)	Production Square Yds. (000,000 omitted)	Lin. Yds/ Sq. Yds.	% Increase in Sq. Yds.	Imports[1] (000,000 omitted)	Exports[2] (000,000 omitted)	Loo[illegible] Place (End of Yr.)	Av[illegible]oom Spe[illegible] (P[illegible]ks/Min)	Population (000 omitted)
1947	[illegible],856	13,279	1.12						
1950	12,621	14,388							150,697
1959	12,102	14,643	1.21	8.0					
1960	11,770	14,359					395,192		179,323
1961	11,576	14,123					396,771		
1962	11,991	14,799					373,339	185	
1963	11,820	14.539	1.23	9.8			363,498		
1964	12,511	15,639			1,045.3	578.1	368,968		
1965	13,164	16,718			1,379.7	455.8	370,478		
1966	13,075	16,867			1,746.6	489.1	371,645		
1967	12,546	16,561			1,516.7	443.1	365,941		
1968	12,680	16,991	1.34	11.9	1,736.0	431.9	361,301	190	
1969	12,368	16,697			2,004.2	466.0	342,846		
1970	11,275	15,333			2,036.5	443.6	328,214		203,185
1971	11,032	15,114			2,326.7	465.5	317,752		
1972	11,148	15,495	1.39	24.1	2,583.5	580.8	314,590		
1974								200	
1980									B- 236,725 C- 233,798 D- 230,865 E- 227,765

1 — Imports of Cotton and Man-Made Fiber Broadwoven Fabrics, including import of apparel, made-up goods, and miscellaneous converted to square yard equivalent using U.S. Dept. of Commerce conversion factors.

2 — Exports - Broadwoven piece goods only.

from 5,535 pounds per employee to 11,772 over the twenty year period. While this comparison must be used with some reservation, since a substantial part of the increase in fiber use has come from the growth of the floor covering market, they do reflect a genuine increase in productivity as a result of continuing capital investment in the interest of reducing costs and utilizing technological advances.

On the basis of square yards produced, the industry could be said to have held its own, with production in 1972 of 15,496 million square yards as compared with 14,368 million square yards in 1950 and 14,359 million in 1960. The increase in the size of the market which might have resulted from the 13% increase in population between 1960 and 1970, which could have amounted to around 1.9 billion square yards was largely absorbed by imports which increased by one and a half billion yards in the eight years from 1964 to 1972.

In addition, broadwoven textiles have had to face severe competition in the apparel markets during recent years from knitted fabrics, particularly double knits. A major part of the new capital inflow to the industry during the past half-dozen years has been into knitting production equipment.

At the time this report is being written, the entire textile industry, including the broadwoven goods mills, is experiencing a very strong market, with mills sold a year ahead on some items. It might be expected that this situation, resulting in part from the recent devaluation of the dollar, would result in plans for the construction of new producing facilities.

On the contrary, the attitude of mill executives is that the profit margin that can be anticipated in the near future, which will be limited by the competition from the inflow of imports, would not warrant new capital investment in the building of new broadwoven goods mills. This position was summed up in an interview published in the Daily News Record of March 28, 1973, by Mr. Donald Comer, Jr., President and Treasurer of Avondale Mills, and also the President of the American Textile Manufacturers' Institute, when he said:

> "As far as building new mills is concerned, I have always said I would like to be around long enough to see the time when the demand for woven goods was such that it called for the building of a new mill that could be paid for within a reasonable length of time . . . . We are studying at all times the feasibility of building a wovens mills. We have had the opportunity in the past to sell increased production on woven fabrics that we are offering, but when we put the pencil to it at the price we would be getting for the cloth, there is not any way to get your money back within a reasonable length of time."

The view expressed in the above statement had been confirmed by other sources in the industry. It is in keeping with the trend in corporate profits in the textile industry as shown in Figure 12.

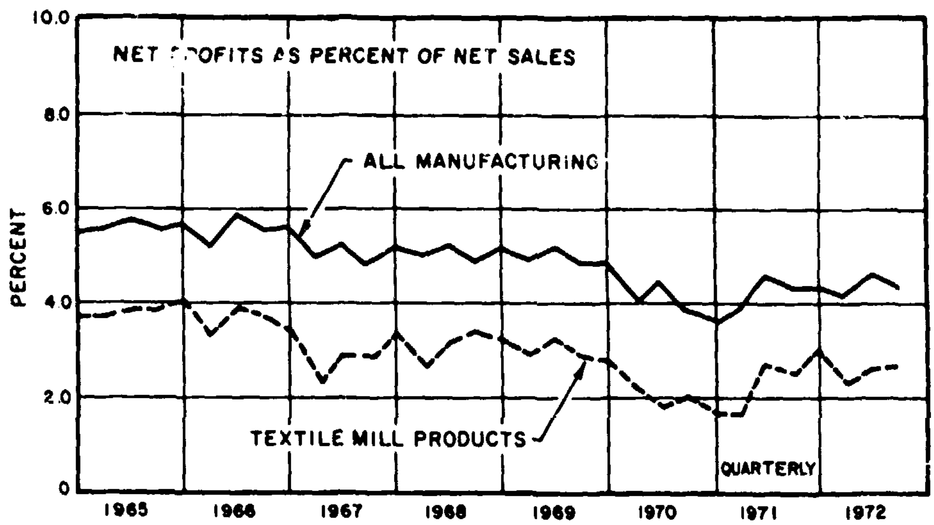

FIGURE 12 CORPORATE PROFIT DATA
(AFTER FEDERAL INCOME TAXES)

While possibly during the next decade there may be a change in the basic economic of the broadwoven goods industry which would permit expansion, the prospect is not promising at this time, and the military should be prepared to have to rely upon an indu try which will be supplying significantly less than the 85% of the consumer market for i products in the United States which it is supplying today. The implications of this situa in the event of any prolonged conflict, with the industry unable to supply essential civil needs on top of military requirements, should be a matter of concern.

Mobilization Aspects

Conversion from civilian to military production, as has already been indicated, has the dual aspect of an immediate broad-scale conversion for the production of large quantities of fabrics and items to support manpower mobilization in the early stages of a conflict. Then there is the later aspect of sustained production if the conflict is prolonged.

With respect to the first aspect, it will be apparent from the foregoing that in the three critical areas of duck, fine combed cotton goods, and wool fabrics, the industry is not of a size that it could even at this time supply more than a fraction of the total requirement of a moderate sized mobilization. The reduction in the number of looms on cotton duck and in fine cotton goods is shown in Table XVI.

TABLE XVI

Looms Operating on Cotton Duck and Fine Cotton Goods

	Cotton Duck	Fine Combed Cotton Goods
July 1950	7,454	68,428
1960	5,663	77,245
1972	3,518	7,831

Source: American Textile Manufacturers' Institute, Inc.

Also, there has been a reduction in the number of mills and total capacity for production of sales yarn which might enable mills to balance their production by the use of purchased yarn. Sales yarn played an important role in all three wars, in providing extra spinning capcity which could be channeled to support mill conversion to military textiles, particularly on cotton duck and fine combed cotton goods. With the continuing down-trend in this segment of the industry, this important capacity may not be available in a future emergency.

To bring mills into production on military fabrics from other segments of the industry will take more time because of the changes that they must make in their operation. For economical production, the equipment in a textile mill is balanced to produce a particular kind or class of fabric. This is especially true with respect to the balance between spindles and looms, the yarn numbers to be spun, the weight of the fabric to be produced, and the grade and staple length of cotton or other fiber to be used. A change in any of these factors can require substantial reorganization of the manufacturing process and cause loss of time and production. Accordingly, it cannot be expected that where mills must convert to a type of product they do not ordinarily make, they can start producing as quickly as a mill which is already producing that particular type of fabric for the commercial market. Thus, there is a significant factor of delay which would extend beyond the production lead-time that would apply to a mill already producing that class of fabric.

Special manufacturing equipment might also be needed such as combers or twisting spindles for producing plied yarns; also, time to manufacture the equipment and space to install it. Idealized lead time estimates while possible of realization in some mills cannot be considered as a firm base for production where significant conversion is involved. The history of industry production in both World War II and the Korean War amply demonstrates this fact.

There is one useful trend, however, that in time will be to the advantage of the military. That is the greater flexibility of the looms that are being installed in the industry today which can be used to produce textiles made from different fibers and over a wider range of constructions and weights. This breaking down of the compartmentalization that has historically existed between the cotton, the man-made fiber, and the wool textile segments of the industry is leading toward the creation of a single weaving capacity in the industry, with looms able to shift over a relatively wide range of products. There will still be the difference between mills having spinning capacity for producing spun yarns and mills equipped to run only on filament yarns. Where spun yarns would be required, a source for their production would be needed. On the other hand, if filament yarns, such as texturized filament yarns were to be used, it is probable that the fabrics could be produced in almost any weaving mill.

Rapid conversion of the textile industry from commercial to military production within the limited time frame of a relatively large mobilization effort, assuming the kind of patriotic response which this industry has always shown in the past, would be dependent also, in part, upon the relative status of the industry's technology and that called for in the textile materials required by the military at the time. On the one hand this would necessitate a broad-based research and development program by the military to take advantage of all technological developments in industry to keep military textiles in line with industry advances, and at the same time, keeping industry apprised of the escalating demands for improvements in military textiles to meet the demands for protection against new munitions and weaponry of all kinds.

Also, it would require very close contact with industry in order to explore promptly new technical developments which might have military application. Because of the need to adequately test any new material before it could be adopted in a military use, a strong continuing research and development program on textile materials will be particularly critical as the pace of industry technology continues to increase. Whatever may occur during the next decade should be reflected both in assuring an adequate industry base for the production of the required materials, and adequate mobilization planning to assure the shortest possible lead time in the event mobilization becomes necessary.

Textile Machinery

The outlook for industrial mobilization of the textile industry in a national emergency must be looked at also from the standpoint of those industries which provide back-up to it. One of these of particular importance is the textile machinery industry.

In the event of a future defense emergency, the Department of Defense and the U.S. textile industry would be faced with problems relating to textile machinery that would be unique to their past mobilization experiences. All prior crises found the United States textile industry with some reserve fabric capacity and equipped with machinery supplied by a relatively few United States producers.

As already pointed out, the U.S. textile industry does not have ample reserve capacity to meet large demands for military fabrics, nor can it add machinery from United States sources to expand capacity significantly in a short time span.

Not only is the U.S. textile machinery industry more fragmented than in past emergencies, it does not have the complete machinery product lines to furnish the textile industry. Much of the special purpose machinery used in military fabric and yarn production is no longer available from the industry.

Repair parts to sustain the large volume of foreign textile machinery now operational in the U.S. textile industry cannot be procured from American textile machinery producers. The current practice of U.S. textile firms of maintaining four to six week inventory of repair parts would mean significant reduction in output after this inventory was consumed if supply lines from Europe and Japan were disrupted.

The role of the U.S. textile machinery industry in all prior emergencies was to produce the key textile capital equipment required for defense work, adapt existing equipment for defense fabric production, and to assure textile producers of a continuous flow of repair parts for existing equipment. Despite this vital role, this left a significant capacity for precision metal forming that was utilized by the government for munitions, weaponry, sub-contracting, and manufacture of essential capital machinery for defense purposes.

Demands of the textile industry in a future emergency would require concentration on their requirements by the textile machinery industry and exclude the possibility of augmenting defense efforts in other fields. Even with this concentration on U.S. textile requirements, the time required to design, tool up, and produce non-consumer oriented textile machinery for military purposes would require a minimum of 18 to 24 months to have a significant productive impact. [18]

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18 — The above statement with respect to textile machinery has been checked with responsible representatives of the U.S. textile machinery industry and represents a consensus view of the situation that would exist in a future mobilization effort.

V. MATERIALS

Textile Fibers

The principal fibers used in military textiles at this time are cotton, wool, and nylon, with polyester used in a limited way in blends. Minor amounts of other man-made fibers are used for special purposes, including some new fibers which are just becoming available.

In general, the principal fiber properties which are considered to be of greatest importance in the selection of a fiber to meet the technical requirements of military textiles listed in Appendix A are as follows:

Cotton

- Moisture absorption
- Ability to react with permanent water repellent and other chemical treatments
- Fiber swelling
- Increased strength when wet
- Comfort
- Low cost

Nylon

- High strength/weight ratio
- High energy absorption
- Elastic recovery properties
- Abrasion resistance
- Fiber rupture elongation

High Temperature Resistant Polyamide (NOMEX)

- Resistance to flaming
- Self-extinguishing

Wool meets the essential technical requirements for uniform fabrics and is superior in many respects to other fibers for military uniforms although it is being increasingly blended with other fibers to attain certain balance of fabric properties.

A blend of polyester with wool (55/45) is currently used in the tropical fabric for the Army summer service uniform; a blend of polyester with cotton is currently in the process of being adopted for a durable press, short-sleeve shirt/trouser semi-dress summer uniform.

Other fibers currently being used or under evaluation include a high temperature resistant polyamide (NOMEX) in aviators' and tankers' clothing to provide protection against crash and flash fires; polypropylene in twine and, experimentally, Dynel in tentage fabric. A new ultra-high strength aromatic polyamide fiber is also being evaluated for personnel armor.

While possibly a new fiber could be developed during the next decade and come into commercial production, the normal time cycle from development through pilot plant production to large scale production is such that it is unlikely that any new fiber not presently on the market would become of significant volume importance from a military standpoint within the next decade to alter the dependence of the military upon existing fibers within the time frame of this study. Modifications of existing fibers, however, could occur, together with methods of forming them into fabrics which could lead to changes in present usage. Also, there is a great deal of basic technical and scientific information and military service experience available on existing fibers which would need to be similarly obtained on any new fiber before its adequacy and adaptability to all military requirements could be assured.

Accordingly, in looking at future military requirements in the 1980-85 time frame, the projection should be based upon existing fibers, their technology and their potential supply, and in the case of the non-cellulosic man-made fibers, the potential availability of feedstocks from the petrochemical industry. This, in turn, necessitates consideration of the general U.S. energy outlook; the increasing dependence of the country upon imported oil and gas and the potential deficit in the balance of trade in the 1980-85 time frame resulting therefrom.

Figure 13 shows one projection into the 1980's of the growth in domestic consumption of textile fibers (mill consumption plus imports less exports) as reported in "Textile Organon", Textile Economics Bureau, Inc. The estimate, which comes from a responsible industry source, indicates that domestic consumption will expand from 12.3 billion pounds in 1972 to around 15 billion pounds by 1978, and 18 billion pounds by 1983. This reflects a constant growth rate of around 3.5% per year which indicates a significant increase in per capita consumption in addition to the projection for population growth.

Where this growth in fiber consumption is most likely to occur is indicated in Figure 14. From that it will be evident that the major growth occurring at this time is in the non-cellulosic man-made fibers, and according to all present estimates, it is in these fibers that the major increase in fiber consumption will occur. Consumption of rayon and acetate is showing no growth and consumption of both cotton and wool is in a down-trend. There is every reason to anticipate at this time that these basic trends will continue during the next decade.

One of the most significant factors favoring continued expansion in the consumption of the man-made non-cellulosic fibers is the fact that polyester staple fiber is now in a competitive price area with cotton. Figure 15 shows the current price relationship between polyester staple, viscose staple rayon and cotton.[19]

Actually, at the same price, cotton costs more than polyester or rayon staple since it takes two or three cents per pound to move cotton from the spot markets to the mill. Also, there is the factor of waste in opening and carding. On this basis, branded polyester costs

19 — Prices shown are from the National Cotton Council of America, and represent prices actually paid by mills rather than quoted list prices.

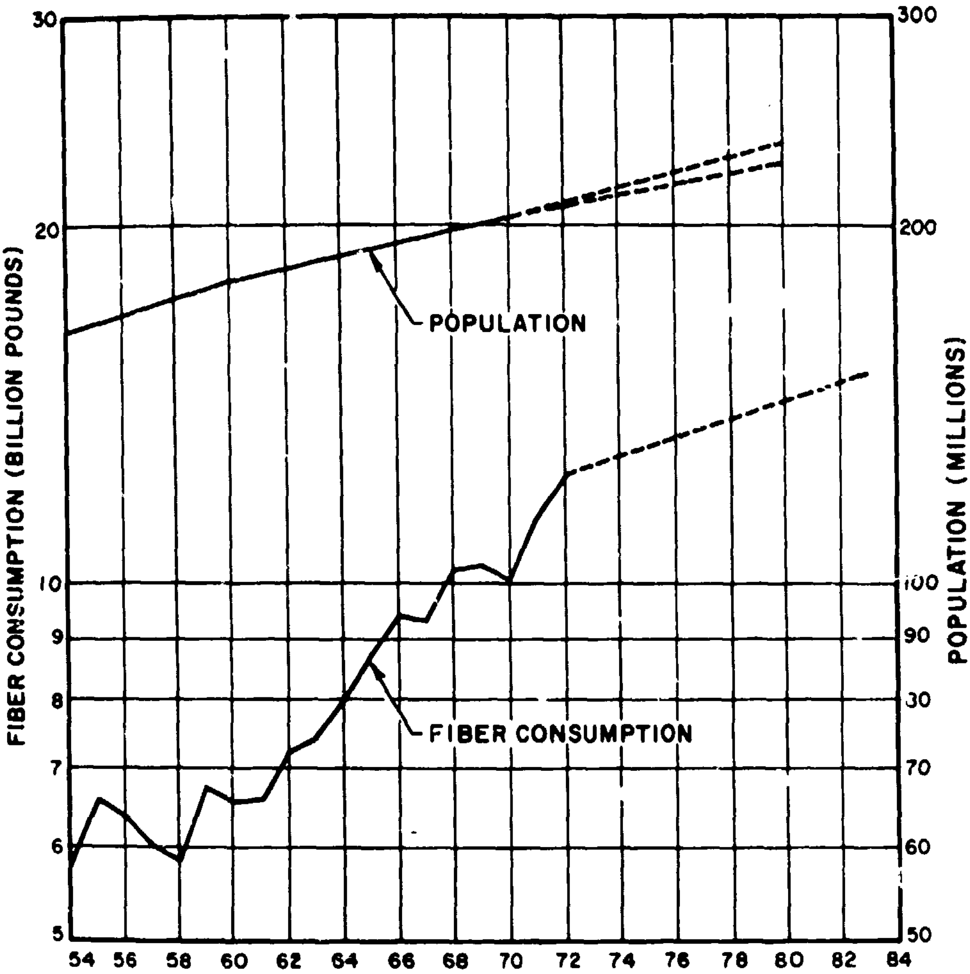

FIGURE 13 DOMESTIC CONSUMPTION OF FIBERS AND POPULATION PROJECTIONS

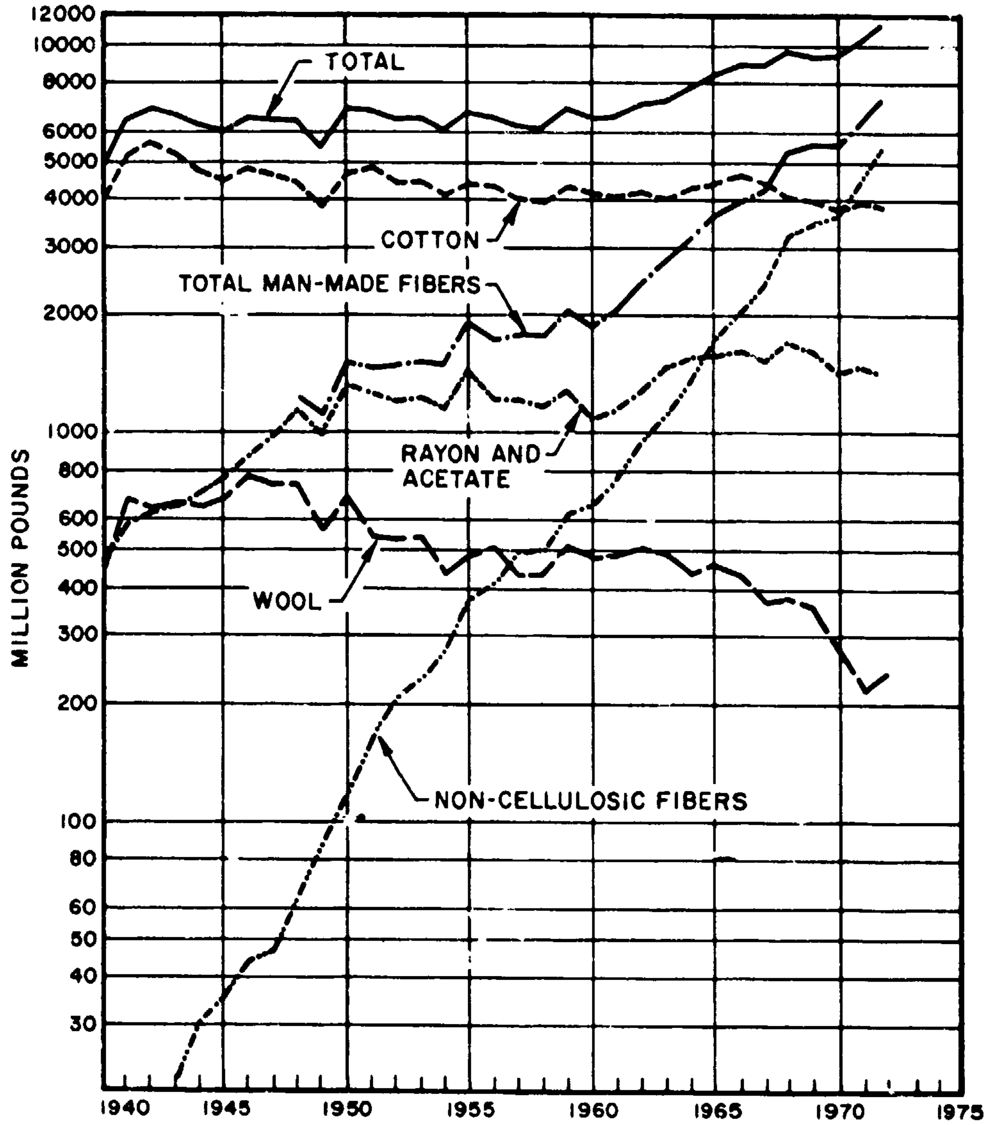

FIGURE 14 U.S. MILL CONSUMPTION
(SOURCE: TEXTILE ECONOMICS BUREAU, "TEXTILE ORGANON")

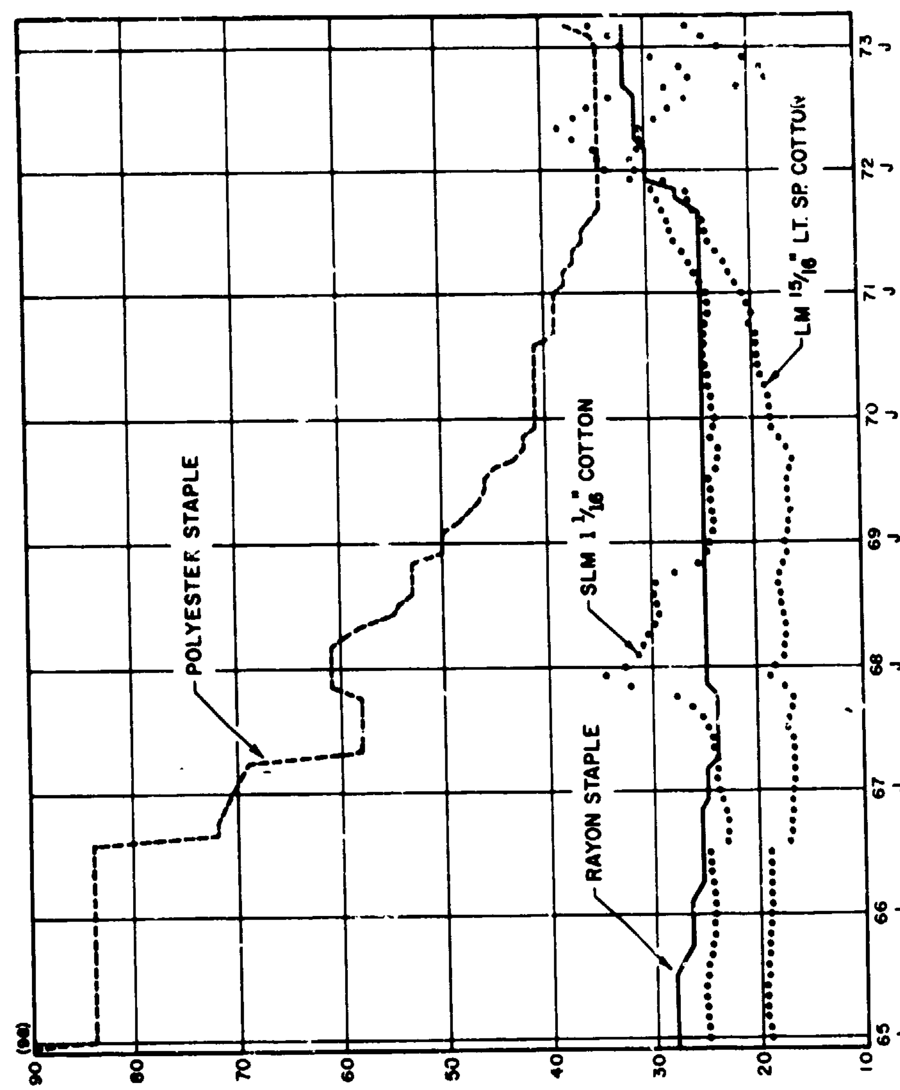

FIGURE 15 COMPARATIVE PRICES : COTTON, POLYESTER STAPLE, VISCOSE STAPLE (1965-1973)

less in yarn form than many of the better qualities of cotton. Accordingly, polyester staple has now become cotton's principal competitor, and a mill may be able to lower its price by moving out of 100% cotton into a polyester blend where the quality and acceptance of the product will permit it. In addition, polyester has the advantage of not being subject to the violent price swings of cotton; mills do not have to contract far ahead to guarantee their supply, and the quality and total supply is not subject to the weather.

On the other hand there are advantages to cotton. Durable press, for example, requires the presence of a cellulosic fiber in the fabric to react with the chemical treatment of the durable press process (although all-polyester durable press fabrics have been produced). Also, cotton has comfort qualities stemming from its moisture absorption characteristics — something lacking in the non-cellulosic, man-made fibers presently available.

However, since for the most part, fiber blend yarns of polyester and cotton can be spun on the same equipment as all-cotton, and the same weaving equipment can be used, the transition from all-cotton to polyester/cotton blends is not a difficult one. From this standpoint, the trend toward polyester/cotton blends, where the blended fabric can substitute in military uses for all-cotton, does not present any significant problem from the standpoint of mobilization planning.

A problem of greater importance is what to do about the decline and dissolution of a woolen and worsted industry of significant size, and what fabrics to plan for as replacements for all-wool fabrics in uniforms.

Whether suitable plain color uniform fabrics conforming to the essential technical requirements outlined in Appendix A can be produced from knit polyester texturized filament yarns, especially with the long-wearing and appearance qualities essential to a military uniform, remains at this time to be determined. Knowledgeable people are of the opinion that a blend of polyester staple and wool in combination with some texturized filament will provide a suitable substitute military uniform fabric. The testing and verification of the suitability of such fabrics still lies ahead at this writing.

Also, there is the possibility that the technology of stretch-woven fabrics, again using texturized polyester filament yarns, will provide a means for developing alternate fabrics. Success with this type of fabric could reduce or eliminate the need for spinning, and especially would not require the use of woolen and worsted spun yarn.

In stressing the need to develop alternate fabrics to present wool uniform fabrics, it is not intended to advocate the dropping of wool fabrics for military uniforms at this time. However, looking ahead to the 1980-85 time frame, and considering the national policy with respect to imports, it would be totally unrealistic to assume that new investment will come into the moribund woolen and worsted industry to rebuild its capacity. Some limited capacity undoubtedly will survive, but it is more likely that our import policy will have resulted in practically total liquidation of this industry during the next decade. Where wool will continue to be used will be in limited amounts in blends to impart to them some of the unique and excellent properties of the wool fiber.

So far as duck for tentage is concerned, all that can be said at this time is that an aggressive, well-funded program to produce a substitute material for all-cotton, fire resistant duck should be undertaken on an urgent priority. The search should be for a fabric which could be made on a broad basis in a large segment of the industry — not something requiring a complicated technology — but a fabric which could go quickly into production by the tens of millions of yards. Possibly the search for fire resistant civilian fibers and fabrics will hold the key to the development of a substitute for cotton duck for tentage.

From a fiber standpoint, in summary, the military are confronted with the fact of a decline in the production of all-cotton textiles, the rapid growth of the man-made non-cellulosic fibers, particularly polyester (both in staple form and in texturized filament yarns), the loss of an adequate production base in wool textiles, and the absolute need for the development of substitutes for cotton duck. All of these fiber factors place an urgent requirement upon the military and the textile industry for an adequate research and development program to develop, test, and adopt alternate materials which will be consonant with the fiber and textile manufacturing capacity situations as they may exist in the 1980-85 time frame. Development of alternate materials meeting the critical and essential technical requirements of military textiles and having an assured broad base of supply may well take that long.

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Man-Made Fibers

While in a short range estimate it would appear desirable for the Department of the Army and the Department of Defense to move toward broader use of man-made fibers in military textiles, from the standpoint of the 1980-85 time frame there are distinct hazards to placing too great dependence upon textile fibers produced from feedstocks from the petrochemical industry.

The assessment of the energy outlook for the 1985 time frame made by the Committee on the U. S. Energy Outlook of the National Petroleum Council, and published in December 1972 by the U.S. Department of the Interior, has placed the entire situation with respect to supplies of petroleum and gas in a context which necessitates differentiating between uses for man-made fibers where they are required to meet critical or essential military characteristics, from uses where natural fibers or blends would equally serve military needs.

Of the three options for balancing energy supply and demand beyond 1975 outlined in this report: (a) increased emphasis on development of domestic supplies; (b) much greater reliance upon imports from foreign sources; and (c) restraints upon demand growth, the report endorses (a) as the best option, while indicating that all three may be needed to contribute to solving the nation's energy problem. [20]

Of the data presented by this Advisory Committee to the U.S. Department of the Interior with respect to the total energy problem, the following Table, reproduced from the report is perhaps most significant in indicating the seriousness of the supply situation on petroleum products to be anticipated in the 1985 time frame.

TABLE XVII

Balance of Trade Deficit in Energy Fuels —1985
(Billion Dollars)

	Initial Appraisal	Case I	Case II	Case III	Case IV
Oil Imports (Delivered)	22.4	5.4	13.1	20.4	29.1
Natural Gas & LNG Imports	5.5	4.9	5.0	5.3	5.4
Total Energy Fuel Imports	27.9	10.3	18.1	25.[illegible]	34.5
Oil Exports	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Steam Coal Exports	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Metallurgical Coal Exports	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Total Energy Fuel Exports	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)
Total Energy Fuel Deficit	25.1	7.5	15.3	22.9	31.7

Source: U.S. Energy Outlook, pg. 298.

20 — National Petroleum Council's Committee on U.S. Energy Outlook, "U.S. Energy Outlook" U.S. Dept. of the Interior. 1972. pg. 3.

The four cases cited represent different assumptions as to action that may be taken during the next decade to aggressively develop domestic fuel sources: Case I assumes the most optimistic courses of action without any restrictions as to environmental problems, economics, etc.; and Case IV that current trends in dealing with the situation will continue. Cases II and III are intermediate. The Initial Appraisal projections were regarded in the final report as perhaps more optimistic than were justified.[21]

The seriousness of the trade deficit under any of these situations, even the intermediate Cases, would present national problems of the gravest significance, particularly since the needed supplies of oil would have to come very largely from the Arab countries of the Middle East. In some of the Cases, shown in Table XVII, as much as three-fourths of U.S. oil imports in 1985 would have to come from the Eastern Hemisphere compared with 16% in 1970. The three-fold to fifteen-fold increase in foreign exchange requirements in 1985 above the current level could not be easily offset. This overall situation could have serious consequences upon the military, political, and economic security of the United States, since our country would become increasingly dependent on the political and economic policies of a relatively small number of countries.[22]

Certainly, if the United States were to become dependent to the extent indicated upon imports, largely from the Middle East, which is an area of potential conflict, the energy supply situation in the United States during an outbreak of hostilities would necessitate restrictions of major proportions upon the use of petroleum products, which undoubtedly would have to include reductions in allocations to the petrochemical industry and products based upon its output. Those who went through World War II will recall the extreme restrictions upon the use of rubber, the rationing of gasoline, the modifications made in clothing to save cloth, and even the reduction in the size and number of pins used to pin a shirt for packing.

With the hazard of a reduction in the supply of petroleum products of the magnitude indicated by what appears will be our dependence upon imports during the time frame being used for this study, it would be totally unrealistic not to assume that drastic limitations would have to be placed upon the production of textile fibers drawn from these sources. The supply of man-made fibers for critical and essential military uses can be expected to be assured, but for uses where other fibers could serve reasonably well or which have been used in the past, it is not to be expected that priorities could be justified.

It must be recognized that the actual situation with respect to availability of energy from domestic sources as it may exist during the time frame projected for this study will depend, quite obviously, upon the urgency with which increasing domestic energy supplies is attacked.

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21 — Ibid., pg. 1
22 — Ibid., pg. 8

Considering on the one hand that the U.S. Energy Outlook report places its greatest emphasis for solution of the energy problem upon increasing nuclear power output [23] while simultaneously environmental reviews — as many as 60 clearances from local, state and national agencies may be needed — are delaying the planned operating dates of most of the nuclear plants that have been announced, it does not seem likely that this source will be contributing as much to the energy mix by 1985 as an optimistic forecast would hope for.

Whether within this time frame the necessary political, economic and financial actions could be taken to adequately increase supplies of energy from domestic sources to hold down our growing dependence upon foreign oil and gas to limits which could be considered safe from a national defense standpoint, can not be forecast at this time. Considering the extent to which such developments would have to depend upon political actions, it would be unwise to assume that dependence upon foreign oil imports will not come close to the higher levels that have been indicated. If these supplies were to be cut off in the event of a sudden outbreak of war, the domestic energy problem would unquestionably require drastic curtailments of every kind in the use of oil and gas and products derived from them.

Since this analysis is concerned primarily with the capability of the textile industry to provide support to a sudden military mobilization, it would appear prudent to emphasize the need for being prepared for the use of alternate textile fibers, the supply of which would not be dependent upon oil or gas, and which would require the minimum amount of energy for their conversion into military textiles. This would indicate the desirability for the military services to be able, in such an emergency, to obtain quickly large quantities of military textiles made in large part, at least, from cotton and wool.

The prospect of a situation in which imports of both imported textiles and imported oil and liquified natural gas (LNG) by a sea blockade would be serious enough today, but in the projected 1980-85 time frame, it raises a specter of internal civilian shortages of a magnitude never before visualized by the textile industry or the American public. To prepare against such a contingency the military authorities should give careful weight to assuring the availability as an alternate of adequate supplies of the natural fibers and an industry capability for converting them into textiles.

23 – Ibid. pg. 201.

Cotton

The policy of the military services with respect to the use of cotton in military textiles was summed up in July 1966 in a statement as follows:

> "In view of the fact that it is the U.S. Government policy to support cotton, it is considered that the Defense Department should utilize cotton wherever practicable in military textile items.
>
> "For some uses the properties of cotton make it the preferred fiber. For other uses the properties of other fibers make them more desirable than cotton. Basically, the Department of the Army utilizes cotton as a fiber in textile materials except where:
>
> "a. There is a distinct advantage from a functional standpoint in the use of some other fiber, e.g., significant lighter weight, greater strength, superior properties in respect to flame, thermal resistance, mildew resistance, etc.
>
> "b. Other fibers are available at lower cost in a product of comparable functional properties.
>
> "c. Where, due to limited industry capacity, cotton textile materials can not be made available in adequate quantity to meet the delivery schedules of the Government procurement agency." [24]

The assumption that cotton would always be the ultimate, low-cost textile fiber has now been challenged as indicated in Figure 15, by the fact that today both polyester and viscose rayon staple fibers are being priced in the same price range as the better grades of cotton. Also, while higher raw material costs may force the prices of man-made fibers upward, the price of cotton is also likely to rise as a result of general inflation and rising costs of producing cotton. Today, the preference for cotton fabrics for military textiles on the basis of lower cost does not hold for all items. Blended fiber fabrics are available for some uses at no greater cost, and have greater durability.

Sheets are an example of a product where the military services have adopted the polyester/cotton blended materials in place of all cotton. Adoption of the blended sheets in 1971 was based on two factors: the industry had already shifted over to the blend, and it was no longer possible to obtain all-cotton sheets in the quantities and for the deliveries required by the military. More important, tests had demonstrated that the blend would out-wear the all-cotton item by about two to one.[25]

Replacements of cotton have also been made where distinctly superior performance can be obtained from man-made fibers. The case of load-carrying equipment has been noted above. On the basis of current trends within the textile industry to shift further to man-made fibers, and also because of price competition between polyester and cotton, it may be expected that in the near future, further shifts to the use of man-made fibers

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24 — US Army Natick Laboratories, "Policy on Use of Cotton in Military Textile Items," Natick, Mass. July 1966.

25 — US Army Natick Laboratories, "Engineering Practice Study of Sheet, Bed and Pillowcase, Cotton and Polyester/Cotton" Proj. No. 7210-0144. Natick, Mass. Apr. 27, 1972.

will occur in military textiles. As was the case with sheets, the military cannot continue to seek to use all-cotton materials if the industry is not making them for the civilian market.

What is called for here is a national policy with respect to the overall energy outlook. Such a policy seems to be emerging in the growing realization that the best means for bringing our foreign trade into balance is to capitalize upon the potential of American agriculture to produce for export vast quantities of food and fiber products which the rest of the world needs. We have the acreage, the climate and the knowledge of how to produce abundant crops, and with it, the ability to create a surplus for export over and above our own needs.

While we have used up during the past century so large a proportion of our exhaustible resources, we have one resource, that if properly cared for never becomes exhausted — our farmland. During the past two decades we have lost to a large extent, for many reasons, our edge over Western Europe and Japan in manufacturing efficiency and technology. Even after the deflations in the dollar which have occurred up to this time, our labor costs are still high in relation to much of our competition. But we can produce agricultural products more efficiently than anyone else in the world.

Until such time as a national policy emerges with respect to the energy outlook, or there is a new look at the role of agricultural products including cotton, with respect to our trade balance, it must be expected that the role of cotton in the textile industry will continue to decline in competition with the man-made fibers. If this occurs, as appears likely, it will be to the disadvantage of the military services from the standpoint of their ability to be supported in textiles in the event of a major mobilization. It is doubtful, however, if any action by the military services alone, attempting to deal with some possible future undefined need, will have much effect upon this trend.

It would be useful, however, to point out some actions with respect to cotton which it would be desirable to take, and which the military services should support in order to keep this option a viable one for their future protection. Among these, perhaps the most important would be the following:

— The continuance of adequate incentives to assure the production of a large enough crop which could keep the United States as an important factor in the cotton export market. With a continuing surplus above domestic consumption of cotton and ability to price it competitively, there would be a reserve both of fiber and acreage which would be available for increased production in the event of a mobilization.

— Appropriate steps to increase the carry-over so that a balanced stock of grades and staples would be available in a future emergency. As shown in Figure 16, the carry-over has[26] now declined to a level where it would not be adequate from a military standpoint if a need arose for a sudden increase in production of military fabrics. Just what a suitable carry-over level should be is something that should be the subject of an appropriate study. It would appear, however, on the basis of the experience during World War II and the Korean War,

26 - National Cotton Council of America.

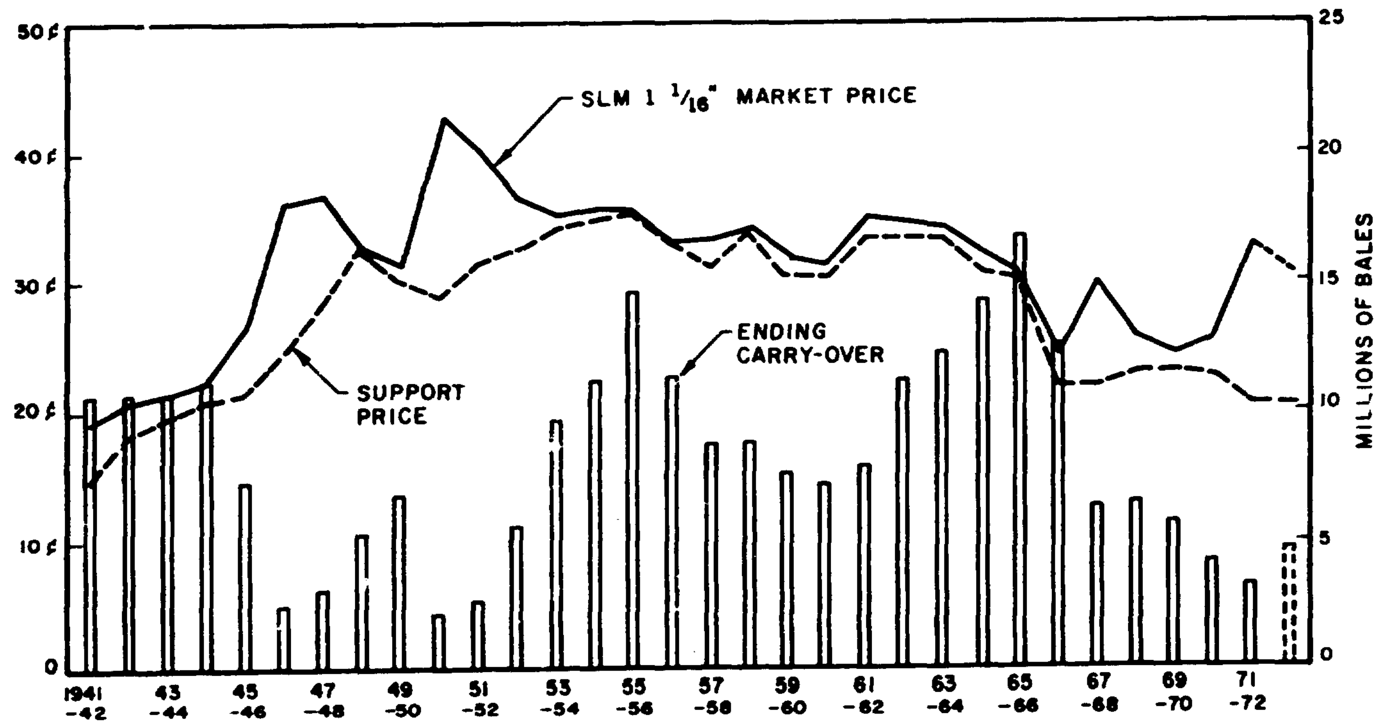

FIGURE 16 COTTON PRICES AND CARRY-OVER

that it should approach one year's crop. The unfortunate reduction in acreage in the Spring of 1950, just before the outbreak of the Korean War should serve as an object lesson that reserves of a basic military raw material should be kept at an adequate level, particularly where they do not become a static stockpile.

— Any possible actions which would tend to stabilize the price of cotton, and thereby make it a more desirable fiber for use by the textile industry. Wide gyrations in the price, such as have occurred several times in recent years, have hurt the market for cotton and weakened its competitive position.

In summary, it must be recognized that a major military policy must always be to plan to utilize materials which are readily available in adequate amounts from domestic sources, and to avoid being dependent upon materials which must be imported, and the supply of which, in time of war, could be subject to being cut off through blockading of the sea lanes. Taking into account the cloud on the horizon with respect to the unavoidable increasing dependence of the United States upon imports of oil from the Middle East over the next decade, it should become a matter of basic policy for the military services to provide practicable assistance to maintaining a viable cotton textile industry and adequate supplies of raw cotton.

VI. LABOR

Industrial mobilization of the textile industry in support of a rapid expansion of the armed forces would necessitate an adequate labor force to assure full utilization of industry capacity. It does not appear at this time, however, that there can be assurance that the textile industry, which has become increasingly concentrated in a relatively small area in the Southeast could count on a labor supply that could assure full-scale operation.

Currently, a critical labor shortage exists in the textile areas of the Carolinas. It does not appear there is any reasonable hope that this situation will be alleviated in the foreseeable future. Unemployment has recently been reported as low as 1.4% in the Greenville area, and mill managements regard their future labor supply as a critical problem.

In March 1973, the announcement that the Michelin Tire Corporation was planning to build two plants in Anderson and Greenville counties, South Carolina, was met by opposition by the press of the State. A Columbia, South Carolina paper stated that "serious economic dislocation can result from the sudden creation of a large demand for labor in a tight labor market. The victims can be not only the textile industry but later industries which themselves have become integrated in the local economy. They, too, must have a labor supply to continue in business." The two plants would require an estimated 1800 workers by 1974-75. Textile and other industries in the area were deeply concerned. [27]

This tight labor market in the textile manufacturing area represents the impact of the big southern drive during the 50's to bring industries into local communities in the South where labor was available and unions relatively ineffective. As a result, the area from Richmond, Virginia to Montgomery, Alabama became the fastest growing industrial area in the country. In an article in the Daily News Record of November 30, 1972, it was stated that few mills in the Southeast were able to man three six-day shifts to meet the upsurge in demand for cloth.

In a competitive labor market, textiles are at a disadvantage for a number of reasons. Among these the following are most frequently cited:

— Young people are not being attracted to the mills, and the average age of workers is rising.

— Textile mill production is geared to three shift operation, and in a tight labor market, it becomes difficult to man the second and third shifts.

— Increasing the labor supply in the textile areas would necessitate bringing in workers from the outside. This would require long range planning, housing developments, training programs, and the risk of losing such labor to competing industries.

— Wage rates in textile mills have been lower than in competing industries. The pressure of competition from imports from low-wage countries, where labor is paid only a fraction of the U.S. wage, holds down wages in the textile industry. Local differentials

27 — Daily News Record, New York. March 12, 1973.

may not be large, but competing industries are better able to pay a higher wage and to maintain a differential. Overall average hourly gross earnings for textile mill employees in January 1973, as reported by the U.S. Bureau of Labor Statistics, were $2.86 as compared with $3.99 for all manufacturing industries. This wage differential militates against bringing in labor from the outside.

It is generally conceded that if new mills were to be built, they would probably be located outside the present textile manufacturing areas. However, as indicated above, the likelihood of any large scale expansion of the textile industry, particularly in the broad-woven goods manufacturing industry, is quite unlikely in the immediate future.

While more could be said about this labor situation, it is considered that what has been outlined above is indicative that a decade hence there could well not be the available labor supply to obtain full-scale production from the textile mills. Certainly, if men were called into military service, taking labor out of these areas, the difficulty of obtaining full production could create a serious problem for the military during the critical early period of mobilization.

VII. OTHER RELATED INDUSTRIES

While the major concern of this study has been focused upon textiles, and primarily broadwoven goods, the fact that textiles must be finished and then fabricated into various end products for military use necessitates that some consideration be given to potentially critical supply and production areas in their finishing and fabrication.

Dyes

The fabrics for military uniforms, clothing and equipment are produced in a relatively few shades which, for the most part, do not conform to volume shades produced for the civilian market. Also, field items are colored to provide camouflage against both visual observation and detection by various types of battlefield surveillance instrumentation. Hence, in large scale military procurement of textiles, large quantities of particular dyes would be needed. In general, this could be achieved without major problems in industry conversion, due to the general versatility of dyestuff manufacturing capacity. The chief problem would be one of the time required for conversion. Also, since these requirements would be met by sub-contracts, integration of dyestuff requirements with cloth procurements would be needed to avoid potential delays in finished textile deliveries.

The environmental problem caused by the use of mercuric oxide in the process of making alpha-amino anthraquinone, has led to the discontinuance of the U.S. manufacture of this key intermediate for the vat dyes used in military shades. While potentially this problem may be resolved over the next decade, the fact that it exists and could be a source of delay in meeting military requirements should not be overlooked in mobilization planning.

Clothing Manufacturing

Since items of uniform and clothing used by the military services utilize the same technology and equipment as corresponding civilian items, it may be assumed that adequate sewing capacity would exist in the civilian garment industry to meet military requirements in a mobilization.

Such an assumption should be made with considerable caution. The clothing industry is comprised for the most part of many relatively small firms geared to specialized production of particular items, and the mobilizing of sufficient capacity for major build-up in Vietnam in 1966, which was of relatively small size, made it necessary to issue rated orders on clothing and uniform manufacturers in order to get enough production to supply our troops.

Also the assumption that garment manufacturers can turn readily from a normal civilian line to making a military item is not actually true. The transformation of a sewing room by rearranging the production line, re-training of workers, establishing new quality controls, etc., is not something that can be done without time being required for this change-over to be made.

Military items furthermore are not necessarily similar to civilian items which a particular firm may be making. For example, the combat coat and trousers of the Army are provided with special functional features: cargo pockets, closures at the wrists, etc., an action sleeve and a hood that drops down inside the collar, and utilize cloth and findings that may be quite different from what the firm may have used in its own lines. Also, special sewing machines may be required to perform certain operations that could be foreign to the firm's normal production.

Experience has shown that conversion of garment manufacturing plants takes much more time and is far more complicated than is assumed by military planners who are not familiar with the operations of the garment industry. The extent to which conversion may have to extend in order to get needed production may be indicated by the fact that in World War II, women's girdle manufacturers were converted to making men's shirts and trousers. Obviously, much new sewing equipment was needed, and new training before such plants could get into production.

Also, with the wide range of quality which exists in civilian products, the attempt to get a large number of firms all producing a given item to the same quality standards creates problems in conversion: the better grade houses have to change their normal manufacturing procedures and may drop certain operations, such as use of hand finishing, while lower grade firms may have difficulty getting their quality up to a minimum standard. This observation remains valid even after making allowances for variation in quality which may have to be accepted from different firms.

The major problem here is not that conversion cannot be accomplished. It is that time is required — and avoidance of delays during the critical first year of mobilization must, in every possible way, be the major concern of those involved in planning and procurement.

Equipage and Tents

The canvas goods industry, which is the base industry for the production of military equipage and tents, is comprised for the most part of relatively small firms specializing in serving a local market. The expansion of production required in time of mobilization far exceeds the capacity of the industry, and many new firms must be brought into production, if quantity output is to be attained quickly.

The comments made earlier in this study with respect to cotton duck are, in general, applicable here. Building up to large scale production of packs and the other items of personal equipment of the soldier, sleeping bags, paulins and tents — particularly large tents — all will present a major problem. Since these items, unlike basic clothing items, do not wear out in peace-time use, stocks on hand serve for a long time. As a result, there is little peace-time procurement, and few firms are geared up to go into production when requirements do arise. In a sense, this problem simply increases the problem already outlined with respect to duck, except that where substitutes for duck are developed, the fabrication problem will still need to be solved.

Personnel Armor

Just what form personnel armor will take a decade hence cannot be forecast at this time. However, to the extent that textile materials are used, there will be the dual problem of fabric production and item fabrication. Again, these are items that do not wear out in peace-time, so that it would be unlikely that there would be firms in production for the military at the time of mobilization.

There is the further important problem of the helmet and liner. Currently, the helmet liner is a nylon reinforced plastic molded item. Considerable difficulty was encountered getting new firms into production of it during the war in Vietnam, and serious delays were encountered. This, again, is not a peace-time industry, and production would have to be started from scratch to obtain large production. Whether it is just the liner or the entire helmet that would require molding, the problem of getting into volume production could present major problems.

Parachutes

Just what role parachute delivery of supplies and personnel will play in combat a decade hence cannot, of course, be forecast at this time. It would be unreasonable to expect, however, that some air delivery, at least of supplies, would not be required, so that planning for the manufacture of parachutes should not be overlooked.

Parachutes are an item, however, which has no significant civilian counterpart. Parachute manufacturing is basically a war industry, and without a continuing procurement program, it would have to be expected that production would have to start at first only from a limited industry base in the event of mobilization. Of the nine firms currently in this industry,[28] it would be doubtful that more than one or two could survive a prolonged period of peace with little military procurement.

Coordinate with the parachute textile materials, there is the specialized hardware used in the parachute. Whether the tools and dies needed for production of these components would be available after a long period of low procurement presents another problem.

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28 — Defense Supply Agency, "Report on the Management of Parachutes (FSC 1670) within the Department of Defense." March 1966.

While the need for aerial delivery may be unpredictable, experience has shown that where air delivery of supplies is needed, very large numbers of parachutes are needed, and that these may be largely expendable — recovery may be so low that the quantity of parachutes required could reach very large proportions. The need for an expendable parachute, which could be produced very quickly in very large quantities could well be one of the most critical items required in some future emergency. It would appear that the provision of an adequate production base for such an item could well be the determining factor in the success or failure of a military operation or the ability of a military force to be able to continue to be effective. The importance of mobilization planning for such a contingency cannot be over-estimated.

Other Related Industries

As is well understood by the industry groups that would need to be called upon to meet a military emergency, there are many other industries which must be able to provide support to the major textile manufacturing, finishing and fabricating industries directly concerned with supply to the military establishment.

It is not necessary to dwell here on this aspect in depth. On the other hand, it has been noted that military officers who do not have background in the textile and clothing commodity areas find the complexity of production and supply in these fields baffling and frustrating. The provision of commodity training to military officers who will have responsibility for planning and procurement in this area is essential to their effective understanding of the operations and the inter-relations of these various industries, especially where a major effort must be made to move into volume production quickly on military textile items.

VIII. SUMMARY AND CONCLUSIONS

The basic question for consideration in this study has been whether the textile industry, as it is now constituted and with the trends presently taking place within it, could, in a future mobilization, meet the needs for military textiles.

This question actually has two parts: first, would there be a broad industry base to supply the needed military textiles by immediate conversion of the industry on a broad scale to provide large quantities of textiles quickly; second, if the conflict were prolonged, would the industry base be adequate to meet the needs of both the military and the civilian population?

That a critical supply problem could occur in textiles has not been seriously considered by the military services in the past. Generally, it has been assumed that in an area like textiles, where the military product resembles the kinds of products the industry makes for civilians in time of peace, industrial capacity could be quickly turned around in time of war to producing what the military would need.

The performance of the textile industry in meeting military requirements in World War II, the Korean War and our involvement in Southeast Asia has contributed to this attitude. However, the unusual circumstances and the extraordinary efforts which made it possible for the textile industry to supply the military with its requirements during these mobilization periods, particularly during the rapid build-up in World War II and Korea, are no longer remembered.

As a matter of fact, the textile industry as it existed in these three war periods of the past thirty years no longer exists. The circumstances which made possible the successful supply support of textiles and products made from them could not be re-created even today.

Also, the production base of this industry is no longer relatively static, i.e., that a mill having certain equipment and making a certain type of product can be assumed to be making essentially that same type of product at some future date. To keep abreast of changes in the market, mills making one product this year may be converted a year or two from now to making a wholly different product using quite different production equipment.

Accordingly, both the military services and the textile industry have a whole new set of factors to deal with in respect to mobilization of the production capacity of the textile industry for military production, and over the next ten to fifteen years, far greater changes must be expected to take place.

Military Requirements

To deal with the basic question underlying this study, it has been necessary to define military requirements in some specific terms.

According to their technical requirements, military textiles can be considered as falling into two major groups: those for which specific functional performance characteristics are critical or essential, and those which conform closely to their commercial counterparts. The technical requirements for the first group have been carefully reviewed and are stated in Appendix A. It will be noted that the technical requirements for these military textiles are relatively inflexible. In large part they relate to the protection, safety and efficiency of combat troops and can be met only by specific types of textiles for which an adequate industry production base, capable of rapid expansion in a mobilization, is essential to the effectiveness of our military posture.

Quantitative reouirements present a different kind of problem, in that whatever the requirements might be would be dependent upon a highly complex array of unknown future events and assumptions with respect to them which are beyond the scope of this study. What has been done, however, has been to review quite carefully the experience of the textile industry with respect to the mobilization efforts in the three wars in which our country has been involved during the past thirty years. From this analysis, an assumption has been made , to give this study some base of reference, that, as occurred in both World War II and Korea, in a future emergency in the 1980-85 time frame our armed forces would have to be doubled in strength during the first year. The situation with respect to Vietnam, involving a creeping mobilization, has not been considered as typical of what might occur in some future mobilization.

Taking into consideration the above, and also the important statement made by General Eisenhower in his Final Report as Chief of Staff in 1948, that "What we are able or not able to do within the first sixty days of another war will be decisive in its determination of our ability to carry the war to a successful conclusion" [29], the study has been focused upon the speed with which the industry could respond to a call for immediate production of large quantities of military textiles within the shortest possible period of time.

The review of our experience in World War II shows that the textile industry was able to meet the requirements for textiles to support the mobilization of our armed forces, only because of the partial mobilization which had already been occurring during the preceding two years through the existence of unused production capacity and ample stocks of raw materials, and mandatory controls by which many complex conversions of capacity to military use could be accomplished.

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29 — Dwight D. Eisenhower, Final Report of the Chief of Staff, United States Army, to the Secretary of the Army, February 7, 1948. pg. 17.

The Korean War, if it may be considered as representative of the situation created by a sudden outbreak of hostilities, showed the dimensions of the problem of industrial mobilization as it applied to the textile and related industries. Here, delivery of critical items of supply could not be affected until the second year of the war. Without carry-over stocks from World War II, the supply failure would have been little short of disastrous. As it was, it became necessary in January 1951 to stop induction of troops into the armed forces due to shortages of clothing and uniforms. The circumstances which contributed to these supply problems could well be repeated in some form in any sudden call for mobilization.

Trends in Industry Capacity

Almost all military textiles fall into the broadwoven goods sector of the industry. While total production in the area amounts to around 11 billion linear yards per year, military textiles are concentrated in a relatively few classes of products as shown in Table XII, page 46. The classes of most critical importance at this time, in terms of the volume that would be required in a mobilization: duck, fine cotton goods (combed) and worsteds, have a small industry base today, and production in all three areas is in a downward trend.

The impact of imports has been serious, not just because they have taken over 15% of the U.S. broadwoven goods market, but also because our national policy has been pointed toward the turning over the growth in our home market to the less developed countries of the world as a first step toward their industrialization. Also the concentration of imports in certain sectors of the market has been highly damaging; e.g., the U.S. woolen and worsted industry has been largely liquidated as a result of competition from imports, plus the in-roads made in the last few years by knits. As a result, there is no longer a viable woolen and worsted industry upon which the military could count for the quantities of textiles that would be required in a mobilization.

The most serious aspect of this situation, however, lies in the resulting unattractiveness of the broadwoven goods industry as a potential area for capital investment in new mills. With the profit margins held down by low-price imports, there is little likelihood of growth other than that arising from the installation of more productive equipment in existing mills. Accordingly, looking into the 1980-85 time frams, selected as a base for this study, this industry will be providing a smaller and smaller part of the U.S. market, and in proportion to total consumer demand, will have less capacity to meet combined military and civilian demands in a future emergency.

A further disturbing factor with respect to the future is the fact that the U.S. textile machinery industry does not have complete machinery product lines to furnish the textile industry. Much of the special purpose machinery used in military fabric and yarn production is no longer available from U.S. firms. In a war period, spare parts of much of the machinery in U.S. mills would not be available from their foreign sources. This could cost production and cause serious delays in supplying military needs.

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Raw Materials

Current trends in fiber consumption show the rapid rise in utilization of the non-cellulosic man-made fibers by the U. S. textile industry. This trend, based especially upon the fact that polyester staple is now in a competitive price area with the better cottons and the greatly expanded markets for fabrics and carpeting made from texturized filament yarns of polyester and nylon, can be expected to continue into the time frame projected for this study.

Military utilization of the man-made fibers has been increasing both in blends and as replacements for cotton in special uses, such as in load-carrying equipment.

However, looking into the 1980-85 time frame, the assessment of the energy outlook which has been made by the Committee of the U.S. Energy Outlook of the National Petroleum Council, and published in December 1972 by the U.S. Department of the Interior, has placed the entire situation with respect to supplies of petroleum and gas in a context which requires reassessment as to the necessity of using man-made fibers drawn from these raw materials.

In view of the seriousness of the potential balance of trade deficit in energy fuels that may exist by that time, and its consequences upon the military, political and economic security of the United States, it must be anticipated that too great dependence upon fibers drawn from petrochemical feedstocks could present undesirable hazards to the military services from a supply standpoint.

Accordingly, the desirability of keeping open all options with respect to the utilization of cotton in military textiles should be recognized and continued as a policy of the Department of the Army and the Department of Defense.

Conclusions

1. The production base of the textile industry can no longer be considered to be relatively static. Where long term planning is concerned, it must be recognized that mills making a particular product in one year may, in response to market changes, no longer be making that product, or be able to make it, even only a year or two later.

2. Since the functional performance requirements for military textiles essentially limit them at this time to broadwoven goods, the future of this segment of the textile industry is a matter of major concern to national defense.

3. Production of broadwoven goods has not been rising in recent years proportionate to the growth of consumer demand for textiles, nor is it likely, in the near future, to be an attractive area for investment of new capital for significant expansion. Imports, which can be expected to continue to expand beyond their present 15% of the market although at a somewhat reduced rate, and competition from knitted fabrics, constitute limiting factors on growth of broadwoven goods production.

4. Some of the segments of the broadwoven goods industry of most direct importance for military textiles (see Table XII) are quite limited in capacity, particularly duck, fine combed cotton goods and worsteds, and are in a downward trend.

5. The trend in the textile industry and the U.S. textile market toward increased use of the non-cellulosic man-made fibers, either in blend with the natural fibers or as replacements for them, will necessitate some redevelopment of present military textiles in order to keep sources of supply available.

6. From the standpoint of national security, too great a commitment to the man-made fibers should be regarded with caution when regarded from the standpoint of the time frame projected in this study, 1980-85. The balance of trade deficit in energy fuels which can be anticipated by that date could have serious consequences upon the military, political and economic security of the United States, since our country would become increasingly dependent on the political and economic policies of a relatively small number of countries in the Middle East. Under these conditions, it would appear to be a prudent course of action for the military to be prepared for the use of alternate textile fibers, the supply of which would not be dependent upon oil or gas, and which would require the minimum amount of energy for their conversion into military textiles. This would indicate the desirability for the military services to be able in such an emergency to obtain quickly large quantities of military textiles made from cotton and wool. From this standpoint, the maintenance of textile manufacturing facilities capable of producing textiles from cotton, and the continued use of textiles predominantly made from cotton by the military, would appear to be in the interests of national security.

7. The present policy of the military services with respect to the use of cotton (pg. 69 of the report) should be continued. It should be supported by positive actions by appropriate government authorities to (a) - minimize the fluctuations in the price of cotton which adversely affect its desirability to textile manufacturers; (b) - assure a carry-over of adequate size to meet possible military needs as to quantity, grade and staple at any time in the crop year.

8. The lack of a potential reserve of labor in the major textile manufacturing areas, which could well continue or intensify over the next several years, could pose a serious problem to achieving a high level of output on military textiles quickly in the event of mobilization.

9. Lack of a broad-based textile machinery industry within the United States, with so large a proportion of presently installed mill equipment having been made overseas, could create a serious spare parts problem in a crisis situation. Loss of production capacity during the early part of the period while domestic manufacturers tooled up to produce needed parts for foreign equipment could seriously limit the capability of the industry to reach high production levels quickly.

10. The industries which convert textiles into the end items used by troops: parachutes, protective combat clothing, uniforms, equipment, personnel armor, etc., can be expected to lose contact with military items during a prolonged period of peace. They may accordingly be ill-prepared to move quickly into production of military items in an emergency. Some industries which produce almost entirely for the military, such as those making parachutes, personnel armor, and large tents, may be so reduced in size as to be quite inadequate as a production base from which to provide large scale production.

11. (a) A broad-based research and development program to develop alternate textile materials which will be in consonance with industry's capabilities for large scale production within the projected time frame, 1980-85, and yet which will meet all critical and essential technical requirements should be undertaken as a matter of priority.

(b) In view of the rapid changes taking place in the industry on the one hand, and the need for prudent reserve about too great a commitment to man-made fibers based upon oil, of which a large part will have to be imported in the time frame suggested, such a research and development program should proceed along several lines simultaneously, including especially the upgrading of the performance of cotton textiles or limited mixtures of other fibers with cotton. The support of industry and the U.S. Department of Agriculture should be obtained on as broad a base as possible to assure the availability of materials conforming to all military needs.

12. The complexity of the textile and related industries and their unlikeness to the hard good industries which has baffled and frustrated so many military personnel who have not had previous relation to these industries, would indicate the need for a commodity training program, such as a graduate program in textiles at university level for officers who are to be assigned in the fields of procurement, supply or administration in this area. The success of the World War II Quartermaster textile and clothing operation was due largely to the fact that practically all officers involved in it were drawn from the textile and clothing industries. The availability of officers with such training in the future will be essential to effective operation of a future mobilization program.

13. (a) With respect to the first of the two parts of the basic question raised in this study, viz., the availability of a broad industry base to supply needed military textiles in large quantities quickly upon mobilization, it is clear that at present such a broad base does not exist for duck, fine combed cotton goods, or worsted uniform fabrics. Also, because of the special manufacturing equipment required to make these fabrics, very little conversion of other mills' capacity could be turned to producing them. Alternate materials are needed as either partial or total replacements for these materials.

(b) But even for total textile needs, there can be serious question whether conversion of the industry could be accomplished quickly enough, together with that of the industries which would have to convert textiles into the end items used by troops, to bring production up to usage rate by the end of a year, if large scale mobilization were necessary. As shown in this study, there are numerous unfavorable factors which could delay attainment of a required high level of production quickly. The repetition of what occurred during the Korean War, when quantity production could not be attained until the second year of the war, should be recognized as a potential hazard.

14. As to the other aspect of whether, if the conflict were prolonged, the industry base would be adequate to meet the needs both of the military and the civilian population, the answer is clearly negative. With a large segment of the total civilian demand now being met by imports, which can be expected to increase in coming years, the demands for military textiles would so limit the amount available to consumers that, with imports shut off, severe limitations upon civilian usage would be required. The resulting morale aspects and the problems of price controls, black markets, etc., could be serious as was demonstrated during World War II, where the supply situation was far less critical than it would be in the future or even today.

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APPENDIX A

TECHNICAL REQUIREMENTS FOR MILITARY TEXTILES

The technical requirements for the textiles used in military uniforms, combat clothing/equipment systems, tents and paulins, and parachutes which are listed in this Appendix have been identified according to the following three-way classification:

Critical

Requirements which cannot be compromised without endangering life, health or military capability.

Essential

Requirements essential to end item or system performance, the absence of which would adversely affect the accomplishment of a military mission.

Desirable

Requirements which enhance the protection of the user, extend the life of the item, or build morale through improving the military appearance of the troops.

1. Service Uniforms

The technical requirements for a satisfactory service uniform fabric can be stated as follows:

TABLE A-1

TECHNICAL REQUIREMENTS FOR UNIFORM FABRICS

Essential

Appearance

- Excellent appearance when properly tailored.
- Retention of good appearance throughout prolonged wear.
- Ability to return to original appearance after being worn, allowed to hang and/or be pressed.
- Resistant to wrinkling.
- Resistant to stretching or sagging.
- Resistant to seam puckering.
- Good drapability.
- Crease retention in trousers.

Body

- Sufficient body to support insignia, campaign bars and other ornamentation without sagging or distortion.

Care

- Resistant to soiling.
- Easy to clean.
- Capable of alteration without leaving stitch or crease marks.

Comfort

- Water vapor permeable
- Of proper weight for the season, taking into account limitations on heating of housing in wartime.

Color

- Dyeable to exact shade match with fast colors.

Desirable

- Tear resistant
- Abrasion resistant
- Resistant to shining
- Resistant to pilling
- Resistant to snagging
- Resistant to melting from cigarette ash

Traditionally, wool has been the fiber of choice for military uniforms. It possesses most of the essential and desirable properties for making a good uniform fabric. Blends of wool with man-made fibers, particularly polyester, have in recent years produced good uniform fabrics with some advantage in resistance to wrinkling. It is to be expected that, in the future, satisfactory uniform fabrics will increasingly be made by utilizing of man-made fibers, either in blends or 100% man-made. Summer semi-dress uniforms, while presently made from all-cotton fabrics, can be expected in the near future to be changed to durable press polyester/cotton fabrics.

The principal fabrics currently being used in men's Army uniforms are listed in Table A-2.

TABLE A-2

TEXTILES USED IN ARMY MEN'S UNIFORMS

Winter Uniform	No. Issued	Fabrics Used	Sq. Yards per 1000 Men
Winter Uniform (Cap, coat and trousers)	1	Cloth, wool, serge	5342
		Cloth, rayon, lining	2399
		Silisia	1648
		Other woven textiles	1489
Overcoat	1	Cloth, wool, gabardine	5050
		Cloth, wool flannel, lining	1432
		Cloth, rayon, lining	2796
		Other woven textiles	2269
Raincoat	1	Cloth, polyester/cotton poplin	6250
		Other woven textiles	90
Shirt	2	Cloth, polyester/cotton broadcloth	4436
		Interlining	436
Drawers, Boxer Style or	4	Cloth, cotton 78x78 print cloth	2397
Drawers, Brief Style		Cloth, rib-knit, cotton	–
Undershirt T-shirt	4	Cloth, jersey knit, cotton	–
Belt, trousers	1	Webbing, cotton	–
Necktie	1	Cloth, polyester/wool, tropical	264
		Cloth, wool, interlining	14
Shoes	1	Linings	165
Socks	3		–
		Total — woven fabrics, winter uniform	36,877
Summer Uniform			
Summer uniform (Cap, coat and trousers)	1	Cloth, polyester/wool, tropical	5708
		Cloth, rayon, lining	1996
		Silisia	1698
		Other woven textiles	1800

Summer Uniform	No. Issued	Fabrics Used	Sq. Yards per 1000 Men
Semi-dress uniform (Shirt and trousers)	3	Cloth, cotton, uniform twill	15,525
		Other woven textiles	2,454
Utility uniform (Shirt & trousers)	2	Cloth, cotton, sateen	11,216
		Total woven fabrics for summer & utility uniforms	40,397
		Total — woven fabrics required for initial issue	77,274

The figures shown in Table A-2 of 36.9 sq yds for the winter uniform, and 40.4 sq yds for the summer and utility uniforms, with a total of 77.3 sq yds per man are useful only in giving an overall perspective of the kinds of woven textiles required for military uniforms and the relative amounts of each. The actual requirements would need to take into account basic stockage requirements for sized items (approximately 50% above troop strength), the option given to troops to purchase additional uniforms, which usually is necessary, the amounts required to fill the pipe-line, including intermediate stockage points, and many other factors.

In general, the technical requirements for women's uniforms and for the uniforms of the other military services, correspond to those listed above. The overall yardage figures per uniform would not differ greatly, although the particular fabrics may be different. New fabrics now under evaluation by the Army and also by the other military services, will undoubtedly in time, replace many of those listed above.

Military uniforms serve to achieve uniformity in appearance and a sense of belonging to a military service, as well as give the soldier a feeling of pride in his unit, pride in the Army and pride in his country. For this use, fabrics are needed which are both very durable and which will provide a fine-appearing uniform when well-tailored and well-fitted.

2. Protective Clothing and Equipment Systems

Protective clothing and equipment systems include all items of clothing, headwear, handwear and footwear which provide passive protection to the individual soldier against both natural environments and enemy-imposed hazards, including chemical warfare protective clothing against percutaneous agents, personnel armor, and all items of personal military equipment used by the individual soldier, such as load carrying equipment, sleeping gear, and related items.

The separation of combat protective clothing from the Army's service uniform, which came with the adoption of the Army Green uniform in 1954, has made possible concentration upon enhancing the functional and protective properties in the textiles used in combat clothing.

Provision of higher levels of protection in the soldier's clothing system, realized in part during World War II, by textiles specifically developed to give greater protection against the natural environment, has now become a necessity due to technological advances in munitions and weaponry which have greatly increased the power of the offensive. What are now required are multi-functional textile materials, having the capability through the fiber, the fabric, and a functional finish of providing simultaneously more than one type of protection.

A summary of the required technical characteristics for nine elements of the soldier's total protective clothing/equipment system is shown in Table A-3. Detailed discussion of these technical requirements follows, together with explanation of the function of some of these requirements. It will be noted that, in some instances, the requirements exceed the performance of presently used fabrics. In these cases, it is anticipated that the more demanding requirements are within the long range capability of the industry to meet.

TABLE A-3
PROTECTIVE CLOTHING AND EQUIPMENT SYSTEMS

Technical Requirements	Hot Weather Clothing	Cold Wea. Outer Clothing	Extreme Cold Wea. Clothing	Cold Wea. Insulating Layers	Desert Clothing	Army Aviators Clothing	Combat Vehicle Crew Clo.	Personal Equipment Fabrics	Personal Equipment Webbing	Utility Uniforms
Water vapor permeable	Critical	Critical	Critical	Critical	Critical	Critical	Critical	Essential		Critical
Light Weight	Critical	Critical	Critical	Critical	Critical	Critical	Critical	Critical	Critical	Essential
Water Absorbent	Critical				Critical	Essential	Essential			Essential
Water Repellent		Critical	Critical					Essential		
Wind Resistant (A) Tightly Woven (B)	Essential (B)	Critical (A)	Critical (A)		Critical (A)		Essential (B)	Essential (B)		
Thin	Critical	Critical	Critical			Desirable	Desirable			Desirable
Tear Resistant	Essential	Essential	Essential		Essential	Essential	Essential	Essential		Essential
Quick Drying (A) Low water pick-up (B)	Essential (A)	Essential (B)	Essential (B)					Essential (B)	Essential (B)	Desirable
Good Drapability	Essential	Essential	Essential		Essential	Essential	Essential			Essential
Abrasion Resistant	Desirable	Essential	Desirable		Essential	Essential	Essential	Essential	Essential	Essential
Dyeable with fast Camouflage Colors	Essential	Essential	Essential	Essential	Essential	Essential	Essential	Essential	Essential	Essential
Easy to Clean	Essential	Essential	Essential	Essential	Essential	Essential	Essential	Essential	Essential	Essential
Fire Resistant	Desirable	Desirable	Desirable	Desirable	Desirable	Critical	Critical	Desirable	Desirable	Desirable
Thermal Resistant	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable
Melt Resistant	Desirable	Desirable	Desirable	Desirable	Desirable	Critical	Critical	Desirable	Desirable	Desirable
Mildew Resistant	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Desirable	Essential	Essential	Desirable
Soft	Essential			Essential		Desirable	Desirable			
Good Appearance	Desirable	Desirable	Desirable		Desirable	Desirable	Desirable			Desirable

3. Hot Weather Combat Clothing

The technical requirements for the textiles used in the Army's hot weather combat clothing system as listed in Table A-3 are further detailed below:

TABLE A-4

TECHNICAL REQUIREMENTS FOR TEXTILES USED IN HOT WEATHER COMBAT CLOTHING

Critical	
— Water vapor permeable	— Able to pass body moisture at rates not less than 35 $g/m^2/hr$ at 70°F and 55% RH
— Light weight	— Not over 4.5 oz/yd^2
— Water absorbent	— Able to wet out rapidly and to bring body moisture to outer surface for evaporative cooling at rates in excess of 5 $g/ft^2/min.$ at 70°F and 65% RH
— Thin	— Not over .010 inches thick
Essential	
— Tear Resistant	— Not less than 3 x 3 lbs. (Elmendorf)
— Quick drying	
— Tightly woven	— Interstice size and contour of proportions to prevent mosquitoes from biting through; usually met by air permeability of 6 $ft^3/ft^2/min.$ or less.
— Good drapability	— Able to cling close to the body with minimum interference with body movement.
— Soft	— Free from scratchiness
— Dyeable with fast camouflage colors	
— Easy to clean	
Desirable	
— Abrasion resistant	
— Melt resistant	
— Fire and thermal resistant	
— Mildew resistant	
— Good appearance	

The major concern in the designing of a combat uniform for hot, humid climates is to reduce the hazard of heat stress that may cause heat casualties. For the body to remain in thermal equilibrium, the amount of heat gained from the environment and from energy expenditure by the individual must be equalled by the amount of heat dissipated. Since the body's main defense against heat stress is through the evaporation of sweat poured out on the skin's surface by the sweat glands, the clothing system must be such as to assist in this method of body cooling so that the sweat is utilized as efficiently as possible.

The four fabric properties which contribute to efficient use of the body's sweat for cooling of the skin surface have been listed in Table A-4 as critical. The fabric should be as thin as practicable, so that the cooling effect resulting from evaporation is as close to the skin surface as possible. It should be water absorbent so that the moisture is wicked over a broad surface area for evaporation. Under conditions of frequent wetting, it is essential that the fabric be able to dry quickly, since there is so much moisture to contend with from showers, vegetation, streams, and perspiration. It must also be water vapor permeable, and it should be as light in weight as practicable to hold down the overall load of the soldier.

The factor that most limits lightness in weight is the need to maintain reasonable tear resistance. This property is further compromised by the need of the fabric to be tightly woven with uniformly small interstices to prevent mosquitoes from biting through it.

The rip-stop cotton poplin used in the tropical combat uniforms furnished to our troops in Vietnam served the purpose very well. That uniform was one of the best-liked items the troops had. The jacket and trousers, with ample cargo pockets in each, only weighed two pounds. It lacked durability, however, due to relatively low tear strength.

This rip-stop poplin made from combed 40's, 2-ply yarns in the warp , and 21 singles filling has been made in the combed goods section of the textile industry which has been largely liquidated in recent years, both as a result of imports and changes in the market away from combed all-cotton fabrics, and only intermittent demand from the military services. It is doubtful if it could be produced readily again in the quantities purchased to support the war in Vietnam, amounting to over 110 million yards.

A potential substitute for this poplin would be a nylon-cotton blend using singles yarns in warp and filling. A lightweight 70/30 nylon/cotton fabric that would provide thermal protection similar to that provided in cold weather clothing has been tested experimentally.

TABLE A-5

TEXTILES USED IN HOT WEATHER COMBAT CLOTHING

Item	No. Issued	Fabrics Used	Sq. Yds. per 1000 men
Boot, Combat Tropical	2	Cotton/nylon duck	644
		Cloth, cotton, twill	
Cap, hot weather	1	Cloth, polyester/rayon	217
		Cloth, oxford, nylon	32
Coat, hot weather poplin	5	Cloth, poplin, ripstop	18,375
Hat & insect net	1	Cloth, poplin, ripstop	781
		Netting, nylon tricot	—
Poncho	1	Cloth, ripstop, nylon	6060
		Cloth, cotton	174
Poncho Liner	1	Cloth, ripstop, nylon	9246
		Polyester batting	—
Shirt, sleeping	1	Cloth, knitted, nylon and triacetate	—
		Cloth, nylon, rib-knit	—
		Cloth, cotton, silesia	92
Socks, wool, cushion sole or	5		—
Socks, nylon			—
Trousers, hot weather poplin	5	Cloth, poplin, ripstop	18,430
		Total, woven fabrics	55,271

As indicated ab·ʿε in respect to Table A-2 for fabrics for uniforms, these figures showing the yardage required to outfit each man are useful only to give an overall perspective of the kinds and relative amounts of woven textiles required for troops being outfitted to serve in such climatic areas. It will be noted that the underwear, web belt, and other accessories of the summer uniform are not repeated in this Table.

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4. Cold Weather Combat Clothing

The technical requirements for the textiles used in the Army's cold weather combat clothing system, as listed in Table A-3 are further detailed below:

TABLE A-6

TECHNICAL REQUIREMENTS FOR TEXTILES USED IN COLD WEATHER COMBAT CLOTHING

OUTER LAYERS	
Critical	
— Water vapor permeable	— Able to pass body moisture at rates not less than 35 $g/m^2/hr$ at $60^{o}F$ and 55% RH, and preferably higher.
— Water repellent	— Resistant to rains of one inch/hr for 8 hours.
— Wind resistant	— Air permeability less than 6 $ft^3/ft^2/min$.
— Light weight	— Not over 6 oz/yd^2.
— Thin	— Not over .015 inches thick.
Essential	
— Tear resistant	— not less than 6 x 6 lbs (Elmendorf)
— Abrasion resistant	
— Low water pick-up	
— Good drapability	— Not stiff so as to interfere with body movements, even at extreme cold temperatures
— Dyeable with fast camouflage colors	
— Easy to clean	
Desirable	
— Fire and thermal resistant	
— Melt resistant	
— Mildew resistant	
— Good appearance	
INSULATING LAYERS	
Critical	
— Water vapor permeable	— Same as for outer layers
— Light weight	— Batting type preferred
Essential	
— Quick drying	
— Low water pick-up	

TABLE A-6 (Continued)

Essential

— Dyeable surface fabric with fast camouflage colors	
— Low friction of surface fabric	
— Soft	— Not stiff so as to require expenditure of extra energy for body movements
— Easy to clean	

Desirable

- — Melt resistant
- — Flame and thermal resistant
- — Mildew resistant

EXTREME COLD WEATHER CLOTHING

OUTER LAYERS

Critical

— Light weight	— Not over 4 oz/yd^2
— Tear resistant	— Not less than 3 x 3 lbs. (Elmendorf)

Essential

- — Melt resistant

(Other requirements the same as above)

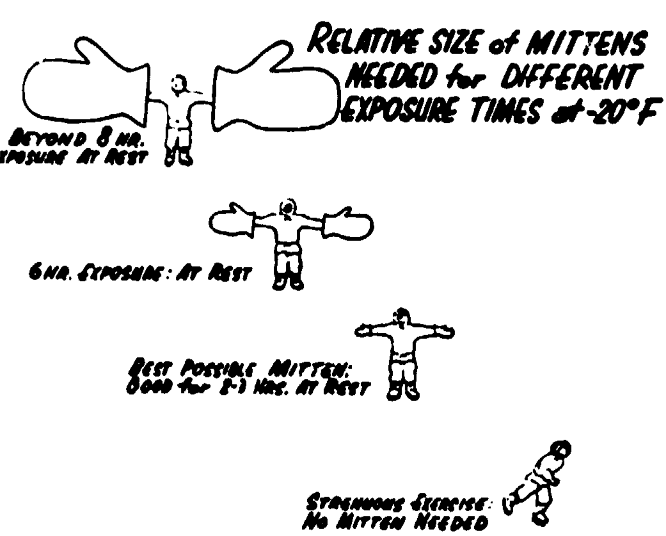
SNOW CAMOUFLAGE COVER

Critical

— Light weight	— Not over 2 oz/yd^2
— Opaque when wet or dry	

(Other requirements the same as above)

A protective clothing system for cold climates must be able to provide three critical types of protection: to insulate against the cold and prevent loss of body heat; to protect against wind and rain; and to be adjustable to the wide range of temperature (from +60°F to −60°F) and the wide range of energy expenditure, from 60 kcal/hr when sleeping, 100 kcal/hr for sentry duty, 250-300 kcal/hr when patrolling, to 425-600 kcal/hr in an assault. The relationship between the level of body activity and the requirement for effective insulation for keeping warm is well shown in the classic illustration of the mittens.



In the cold, it is essential to be able to get rid of excess body heat generated by a high level of work without having excess perspiration absorbed into the clothing system, which would thereby reduce its insulating efficiency, and leave the soldier exposed to the discomfort of after-exercise chill and increase his risk of cold injury. Through the front opening of the Army's present cold weather clothing system, which the man can open up when he is active in order to cool himself off, the use of vents at the wrist and neck, the use of suspenders so that his trousers and drawers are not constricted at the waist, and the use of water vapor permeable fabrics, every conventional means is taken to enable him to avoid over-heating.

Cold climates have been traditionally divided into cold-wet areas where protection against rain is critical, and cold-dry areas where the temperature would be below freezing most of the time and the basic problem is that of providing extra insulation against the cold. The need to cover this wide range of 120°F in temperature has been met by use of a layer system of clothing, in which overgarments are provided for both the cold-wet and cold-dry ensembles. In this way, and with the option of opening up his clothing system to cool-off, the man can adjust his clothing to meet his immediate needs for keeping warm or dissipating body heat. Here it is important to keep in mind that the needs of a soldier in combat in such climates, where he is subject to exposure to the extremes of climate for days on end, is very different from that of a typical sportsman, who will have access to warm shelter or can go home when the weather is extreme. Hence, extrapolation from sportsmen's clothes to military functional, protective clothing is seldom valid because of the much more severe and more prolonged demands placed upon military clothing both for performance and durability.

For protection against rain and wind, tightly woven fabrics are required to which a durable water repellent must be applied. Fabric tightness may be defined as the ratio of the actual cover factor of a fabric to the maximum cover factor possible for such a weave. It is one of the most critical factors controlling the performance, not only of the clothing fabrics of the cold weather clothing system, but also the fabrics used in hot weather and desert clothing, the fabrics used in tents, and those used in all kinds of covers. Water resistance is critically influenced by the tightness of weave. The relationship in many types of fabrics is parabolic in nature. If the tightness of the fabric falls below a certain critical value, there is a marked increase in water penetration and the fabric becomes relatively useless for protection from rainfall.

Wind resistance is another factor that is closely related to the tightness of textile fabrics. For wind and water resistance applications, maximum tightness is required. With respect to tightly woven fabric, it is important to note that moisture vapor diffusion through fabrics which is a main avenue for dissipation of body moisture is not adversely influenced by fabric tightness.

A double layer of tightly woven, water repellent fabrics is used in the field coat and water repellent thread must also be used to insure that seams will be of equal water repellency to the fabrics. Because of the importance that the shell components of the clothing system must maintain their integrity in a cold climate to provide wind and rain resistance, both abrasion resistance and tear resistance are listed as essential requirements.

The 8½ ounce nylon/cotton (NYCO) sateen presently used in the outer layer of the cold weather clothing system represents a transition from the combed all-cotton oxford or sateen weaves formerly used for this purpose. Being spun of singles yarn, it moves away from dependence upon fine combed ply yarns and can be produced in a broader segment of the industry. Its effectiveness in water resistance is dependent, however, upon yarn uniformity in spinning. This fabric also has a desirable property in being significantly resistant to the thermal effects of nuclear weapons. This property derives from the combination of the nylon and cotton in the 50/50 blend.

Good drapability in the outer layer and softness in the insulating layer are listed as essential for the cold climate clothing ensemble, so as to minimize the work involved in moving the clothing layers when moving the arms or walking. Also, for the same reason, low friction on the insulating layers is essential. In general, the extra layers for the extreme cold should be lighter in weight and will not require the degree of abrasion resistanceneeded in the cold weather ensemble since they are less subject to severe wear. However, melt resistance becomes essential in these outer layers because of the hazard involved in drying clothes or the man warming himself near a stove or open fire.

What has been outlined above with respect to the technical requirements for the textiles used in cold weather clothing is applicable equally to the textiles used in the sleeping bag. The outer fabric requires the same technical characteristics. Current development work should eliminate the need for a separate outer case.

With respect to the filling material, it should be noted that the major functional requirement in a military sleeping bag is to be both compresssible to relatively small bulk to permit ease of carrying, and also to be able to be fluffed up to large bulk to provide a thick, insulating layer when in use. It is to be expected that, in the future, a suitable synthetic filling material should be available to relieve dependence upon waterfowl feathers and down.

In summary, it will be noted that in both the cold weather and the hot weather combat clothing systems, tightness of weave and lightness of weight stand out as critical requirements. Tightness of weave is required in fabrics for the cold weather system to provide effective water resistance and wind resistance. It is also the technical characteristic that provides mosquito protection in the hot weather clothing system. In fact, the levels of tightness approach the limits of weavability which would indicate that knitted structures present no possibility of being able to supplant woven textiles for these uses.

Another important fact is that for comfort in the hot weather system, a cellulosic absorbent fiber is needed, and similarly in the cold weather system, cellulosic fibers are needed to provide the base for the permanent, launderable, water repellent finish. While fabrics made wholly of man-made fibers may be developed which will possess these critical characteristics, they are not available at this time, although blends may combine the best features of both types of fibers. The important fact to be kept in mind is that these are critical technical requirements which must be met to the maximum degree. The other essential and desirable characteristics should also be sought in research and development directed toward providing textiles which could be produced on a broad base in the industry both in a stable, peace-time situation and in the event of a future mobilization build-up.

The textiles currently being used in these cold climate clothing ensembles are listed in Table A-7 below:

TABLE A-7

TEXTILES USED IN COLD WEATHER AND EXTREME COLD WEATHER COMBAT CLOTHING

Item	No. Issued	Fabrics Used	Sq. Yds. per 1000 men
Boot, combat, leather	2	Cloth, cotton, twill	1220
Boot, insulated, cold weather, black	1	Cloth, cotton, muslin	45
		Cloth, cotton, osnaburg	729
		Cloth, fleece, wool face	595
		Cloth, nylon, twill	65
Cap, insulating, helmet liner	1	Cloth, oxford, cotton/nylon	454
		Cloth, acrylic	120
Coat, cold weather, cotton/nylon	1	Cloth, Nyco sateen	4151
		Cloth, oxford	2631
		Cloth, oxford, cotton warp	399
		Cloth, cotton, buckram	86
Liner, coat, cold weather	1	Cloth, ripstop, nylon	4500
		Cloth, oxford, nylon	293
		Batting, polyester	
Trousers, cotton/nylon, cold weather	2	Cloth, Nyco sateen	7236
Liner, trousers, cold weather	1	Cloth, ripstop, nylon	4510
		Cloth, oxford, nylon	141
		Batting, polyester	
Shirt, flannel	2	Cloth, flannel, wool/nylon	5124
		Cloth, silesia cotton	208
Trousers, wool serge	2	Cloth, serge, wool	5000
		Cloth, drill, cotton	1144
		Cloth, silesia, cotton	160
Undershirt, 50% wool/50% cotton	2		
Drawers, 50% wool/50% cotton	2		
Socks, wool cushion sole	2		
Muffler, wool	1		
Suspenders, trousers scissors back	1		
Poncho	1	Cloth, ripstop, nylon	6060
Glove, Inserts	2		

Item	No Issued	Fabrics Used	Sq. Yds. per 1000 men
EQUIPMENT			
Bag, waterproof, clothing	1	Cloth, plain weave, nylon	1660
Sleeping bag, mountain	1	Cloth, balloon, cotton	9035
		Cloth, cheesecloth, cotton	4150
Mattress, pneumatic	1	Cloth, parachute, nylon	5000
Case, sleeping bag	1	Cloth, oxford, wind resistant	5957
		Total, woven fabrics, Cold weather ensemble	70,671
EXTREME COLD WEATHER EQUIPMENT			
Boot, insulated, cold weather, white	1	(additional cloth - over black boot)	535
Hood, extreme cold weather	1	Cloth, oxford, cotton/nylon	1230
		Cloth, buckram, cotton	200
		Cloth, fleece	1560
Parka, extreme cold weather	1	Cloth, oxford, cotton/nylon	5362
		Cloth, flannel	422
		Cloth, buckram, cotton	338
Liner, parka, extreme cold weather	1	Cloth, ripstop, nylon	7250
		Cloth, oxford, nylon	78
		Batting, polyester	
Mitten set, arctic	1	Cloth, wind resistant, cotton	676
		Cloth, pile, alpaca	87
		Cloth, ripstop, nylon	1306
		Batting, polyester	
Mitten Insert, trigger finger	1		
Sleeping bag, arctic	1	Cloth, balloon, cotton	10,080
		Cloth, cheesecloth, cotton	4850
CAMOUFLAGE, ARCTIC			
Parka, snow camouflage white	1	Cloth, cotton, permeable	5000
Trousers, white, snow camouflage	1	Cloth, oxford, cotton/nylon	3745
Liner, trousers, snow camouflage, white	1	Cloth, ripstop, nylon	8000
		Cloth, oxford, nylon	400
		Batting, polyester	
Mitten Shells, white	1	Cloth, cotton, permeable	611
		Total, woven fabrics–Extreme Cold and Snow Camouflage	51,730
Total — Cold Climates and Extra for Extreme Cold Climates —			122,401

It will be noted from Table A-7 that not only are there more items in the cold weather clothing list, but that the total yardage per man of 70.7 yards for cold weather, and an extra 51.7 yards for extreme cold weather is based upon minimum issue of only one issued item for most items, and at the most two.

The yardage per man for hot weather clothing of 55.3 yards (Table A-5) is based upon issue of 5 coats and trousers, as was found necessary in Vietnam. On a comparable basis of only 2 per man, the hot weather requirement would be only 33.2 yards per man as compared with 70.7 yards for cold weather, and 122.4 yards for extreme cold.

Thus, it will be clear that the problem of mobilization will be far greater in its impact upon the textile industry, if the projected combat is to occur in cold climates, as compared with hot climates, even taking into consideration some possible differences in required rates of replacement.

5. Desert Combat Clothing

The technical requirements for the textiles used in a uniform to be worn in areas classified as deserts should conform to the following:

TABLE A-8

TECHNICAL REQUIREMENTS FOR TEXTILES USED IN DESERT UNIFORMS

Critical	
— Water vapor permeable	—
— Light weight	— Not over 7 oz/yd^2
— Water absorbent	
— Tightly woven	— Able to block solar radiation and penetration by wind-blown sand
Essential	
— Tear resistant	— Not less than 6 x 6 lbs. (Elmendorf)
— Quick drying	
— Abrasion resistant	
— Good drapability	
— Easy to clean	
— Dyeable with fast camouflage colors	
Desirable	
— Fire and thermal resistant	
— Mildew resistant	
— Good appearance	

Deserts are areas where water is scarce, sunshine is intense, air temperatures often exceed body temperatures, the terrain is rocky and sandy, wind is often high and visibility both on the ground and from the air is exceptionally good at great distances. Accordingly, the clothing system must contribute in every practicable way toward maintaining the man in thermal balance, and also protecting him from observation.

Currently the Army is in the process of developing desert combat clothing which will have optimum camouflage characteristics and will be so designed as to deal, as well as possible, with the problem of thermal balance. The fact that diurnal temperature fluctuations may amount to as much as seventy or more degrees, and that many desert areas are subject to cold winters requires a clothing system with adjustable insulation. Generally speaking, the fabrics required should not need to differ significantly from those required for cold climates, except for omission of water repellency.

6. Army Aviators' and Combat Vehicle Crewmen's Uniforms

The major technical requirements for the textile fabrics used in Army aviators' and combat vehicle crewmen's uniforms are to protect against fire, either a flash fire or a fuel fire, and to make the uniform as comfortable as possible under operational conditions.

TABLE A-9

TECHNICAL REQUIREMENTS FOR TEXTILES USED IN UNIFORMS FOR ARMY AVIATORS AND COMBAT VEHICLE CREWMEN

Critical

- Fire Resistant
- Melt Resistant
- Water vapor permeable
- Light weight

Essential

- Water absorbent
- Tear resistant
- Abrasion resistant
- Good drapability
- Easy to clean
- Dyeable with fast camouflage colors

Desirable

- Thin
- Thermal resistant
- Mildew resistant
- Soft
- Good appearance

The requirement for fire protection of Army aviators andcombat vehicle crewmen is a critical one, and cannot be compromised. For aircrewmen, the major hazard is a fuel fire in the event of a crash; for combat vehicle crewmen, either a flash fire or a fuel fire. Fire resistance requires that the fabric be resistant to flaming, be self-extinguishing and act to reduce thermal transfer through the fabric to the skin surface. Melt resistance requires that the fiber not form molten globules which could cause deep skin burns if they come in contact with the skin surface, or aid in the spread of flames.

Flame resistance to the degree required for effective protection may require a two-layer fabric system. This may be in the form of an outer garment and fire resistant underwear, or a double fabric layer of lightweight, thin fabrics in preference to a single thick fabric, thereby taking advantage of the air layer between the fabrics to resist thermal transfer, and the better softness and comfort of thinner fabrics. It should be noted that the handwear and footgear must also be comparably fire resistant.

Both types of duty involve working in confined spaces where the heat may be excessive and the psychological stress severe. The fabric system, accordingly, should be one which will assist the body to remain in thermal balance by efficient utilization of the man's sweat for cooling. An ideal fiber would be one which, in addition to being fire resistant to a high degree, would also be water absorbent, lightweight, soft and generally comfortable. Also, because of the body contact with equipment and metal surfaces, especially in the case of tankers when entering and exiting from the vehicle, good tear and abrasion resistance are essential.

Presently the textile industry is placing great emphasis upon developing fiber and fabric systems which afford a high level of fire retardance, in compliance with the Flammable Fabrics Act. In addition, the military services, in their search for means of providing protection against crash and flash fires, are carrying out research and development to produce higher performance fibers. In view of this dual emphasis, it may be anticipated that, at a future date, a fiber having the technical requirements indicated above will be available in adequate quantities to meet military requirements. Currently a high temperature resistant polyamide fiber is being used in these clothing systems.

7. Chemical Warfare Protective Clothing

The development during World War II, and in the years since then, of highly lethal chemical warfare agents which act percutaneously, has created a new dimension of requirements for protection of the soldier in the event that chemical warfare should come to be employed in some future conflict. The effectiveness of the agents themselves increases the possibility of their being used. Accordingly, the provision of effective protective clothing must be planned as an important contingency requirement.

Currently, the best mechanism for dealing with these agents is adsorption by activated carbon. What is required is a way to place it in the clothing in such a way that it can function properly, and so that it will remain active and not become poisoned by the body's sweat or the dirt of the battlefield. One way of utilizing it is by impregnating it in a foam placed between two layers of fabric to preserve it from abrasion. Another possible way to utilize it would be to incorporate it in a textile fiber which could then be made into a protective fabric. Another mechanism for dealing with such agents would be to modify a textile fiber so that it would have the ability to react with and neutralize such agents.

Aside from this property of providing specific protection against chemical warfare agents, the clothing system with which it is used should have the appropriate environmental protection and other characteristics of the clothing systems outlined above.

8. Personnel Armor

Textiles are currently being used in personnel armor in four ways: as the ballistic material in the body armor vest; as the cover material for the vest; as the ballistic material in the plastic molded helmet liner; and as the reinforcing material in the doron plastic laminate backing for ceramic armor. A further possible future use of textiles in body armor is for the entire helmet, replacing the present systems of Hadfield steel helmet with a molded nylon liner.

Textiles provide the greatest potential below 2 or 3 pounds per square foot. Above that weight range, harder materials (glass, ceramic, metal) have both greater stopping power and energy extraction capability. Ceramic body armor which will stop small arms fire (30 cal ball) weighs slightly less than 6 lbs/ft^2. The primary role of textiles in personnel armor, accordingly, is that of protecting against fragmentation weapons and small higher velocity missiles, and in spall shields and in back-up for hard surface armor. Since only partial protection can be provided within acceptable weight limits, definite requirements for ballistic performance of the textile material cannot be given; it can only be said that the material should provide the highest possible resistance to fragments of all sizes; e.g., from 2 to 64 grams having as high velocities as can be stopped with acceptable weights and thicknesses of the textile material.

Other technical requirements for textile materials used in fragmentation protective body armor are as follows:

TABLE A-10

TECHNICAL REQUIREMENTS FOR TEXTILES

FOR FRAGMENTATION PROTECTIVE BODY ARMOR

Critical

- High stopping power
- High energy extraction capability

Essential

- Water vapor permeable
- Low water pick-up
- Easy to fabricate
- Dyeable with fast camouflage colors

Desirable

- Easy to clean
- Flame resistant

9. Protection Against the Thermal Effects of Nuclear Weapons

This requirement for protection which was given a priority in the early 1950's can apparently now be regarded as only "Desirable". However, it is possible that with the proliferation of knowledge about nuclear weapons, and with the increase in the use of nuclear power to meet the world's energy crisis, with accompanying production of nuclear materials for weapons as a by-product, it is quite possible that the threat of nuclear warfare may grow. While this threat may be kept under control by the major nuclear powers, it is not beyond possibility that some smaller nation may resort to the use of nuclear weapons in the settlement of a local dispute. This may create a hazard that will necessitate the availability of protection in the soldier's clothing against the thermal effects of such weapons.

The technical research in this area, conducted during the 1950's by Natick Laboratories, has laid the basis for fiber and fabric developments that could be advanced if this threat should grow. Limited protection is available in the NYCO (nylon-cotton blend) fabric now used in the cold weather clothing coat and trousers. Beyond this, new or modified fibers would be required, with the need to create new fiber manufacturing capacity.

10. Personal Equipment

The term "personal equipment of the soldier" is used most frequently to refer to the items of the soldier's load-carrying equipment — his pack, shoulder harness, entrenching tool, canteen, first aid packet, etc. In the past, this equipment was made from cotton duck and webbing. In 1967, this entire set of equipment was converted to nylon, which reduced the weight when dry from 5.15 pounds to 3.3 pounds. In place of Type IIA cotton webbings, which were stiff enough to hold in the buckles then used, lightweight nylon tapes were substituted and the buckles, snaps and other fasteners were redesigned to hold these nylon tapes properly.

Recently an entire redesign of the whole load-carrying system has been completed, again utilizing only nylon materials. The principal fabric weighs only 7¼ oz/yd^2 and the straps are all made of lightweight nylon tapes. As a result, the requirement for cotton duck and cotton webbing for this type of equipment no longer exists, having been replaced by filament nylon. However, it must be noted that, while heavy cotton ducks will no longer be required for the soldier's equipment, there will continue to be a critical requirement for narrow fabric weaving capacity to produce webbings of both man-made fibers and cotton in various sizes and weights. The problem of assuring adequate industry capacity to produce these narrow fabrics will be dealt with later in this study.

The technical requirements for this system can be listed as follows:

TABLE A-11

TECHNICAL REQUIREMENTS FOR TEXTILES USED IN THE PERSONAL EQUIPMENT OF THE SOLDIER

Critical

— Light weight

Essential

— Water vapor permeable (fabrics)
— Water repellent (fabrics)
— Tightly woven (fabrics)
— Slip resistant (webbings)
— Abrasion resistant
— Tear resistant
— Low water pick-up
— Fire resistant
— Mildew resistant
— Dyeable to fast camouflage colors

Desirable

— Easy to clean and decontaminate
— Melt resistant
— Good appearance

The critical requirement assigned to lightness in weight is in keeping with the overall need to hold down the load of the soldier. This has been a major concern of the Army at all times, but has been given greatly increased emphasis during the Vietnam war because of the dominant role played by the individual soldier in much of the action, and the need for him to carry with him a large part of his supplies. From this arose the LINCLOE Program (Lightweight INdividual CLothing and Equipment) under which a major development program has been underway to reduce everything the soldier may be called upon to wear or carry. By general agreement, the load should not exceed a third of body weight, which for the average soldier weighing 154 pounds would amount to not more than 51 pounds. However, the load carried by the infantry rifleman in hot weather areas actually weighs 61.2 pounds with an added weight of 43.24 pounds for extreme cold areas. This gives a total load in extreme cold areas of 104.15 pounds, and for cold weather areas (cold-wet) of 90.59 pounds, exclusive of the weight of skis or snowshoes.

In addition, there are many other pieces of equipment which must be carried by some men in the infantry company. For example, the radio-telephone operator must carry an added weight of 28.55 pounds. Then there are the members of the mortar platoon, the weapons squad, etc. who have special loads pertaining to the mission of their weapons. (For a fuller discussion of the problem of the load of the soldier, see: The Carrying of Loads Within the Infantry Company, by S. J. Kennedy, Ralph F. Goldman, and John Slauta, U. S. Army Natick Laboratories, Natick, Mass., 1973.)

It will be evident that an aggressive, continuing program to apply advances in materials technology to reduce the weight of all items carried by the soldier, in keeping with the LINCLOE concept, should continue to have priority consideration both within Army research and development and within the industry.

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The textiles currently being used in the major items of general issue personal equipment are listed in Table A-12.

TABLE A-12

TEXTILES USED IN GENERAL ISSUE PERSONAL EQUIPMENT

Item	No. Issued	Fabrics Used	Sq. Yds. per 1000 men
Bag, barracks	1	Cloth, cotton, sateen	3004
Bag, duffle	1	Cloth, cotton, duck No. 8	477
		No. 10	2092
Blanket, bed, wool	2	Cloth, wool	4485
Shelter half	1	Cloth, duck, cotton/rayon	7273
Towel, bath	2	Cloth, terry	1526
Belt, Individual Equip.	1	Webbing, nylon 2¼" Type III	
Case, First Aid dressing	1	Cloth, nylon	36
Case, small arms, ammo	2	Cloth, nylon	818
Cover, water canteen	1	Cloth, nylon	240
		Cloth, pile, acrylic	141
Field Pack, medium	1	Cloth, duck, nylon 7¼ oz.	3584
		Cloth, duck, nylon 12.5 oz.	170
		Cloth, nylon, vinyl coated	131
		Cloth, spacer, olefin	200
Suspender, Field Pack	1	Cloth, nylon	109
		Cloth, spacer, olefin	72
	Total, above items		21,438
OPTIONAL PACK			
Field Pack, large	1	Cloth, duck, nylon 7¼ oz.	4138
		Cloth, duck, nylon 12.5 oz.	170
		Cloth, nylon, vinyl coated	215
		Cloth, spacer, olefin	200
			4723

11. Camouflage of the Individual Soldier

The requirement for dyeing of military textiles with fast camouflage colors involves both the ability of the textile fibers and fabrics to accept dye to achieve the desired shade with reasonably close shade matching, and the availability of dyes having the desired spectral characteristics.

During World War II, when the need to provide an adequate supply of dyes for military textiles created serious problems for the dyestuff industry, the problem was one simply of meeting requirements for camouflage coloration against visual observation. Today, the requirement for camouflage of the individual soldier calls for the following kinds of protection against battlefield surveillance:

- Against visual observation with the naked eye,
- The same with binoculars, with or without filters,
- Against infra-red viewing devices, e.g., the sniperscope,
- Against IR photography,
- Against image intensifiers, particularly at night,
- Against radar,
- Against thermal sensors of body heat

Since the dyes which will be relied upon to provide much of this camouflage (except radar and thermal emission) will be different from those used in large quantities in the civilian consumer market for textiles, the availability of an adequate supply of dyes of proper color and spectral characteristics at the time of mobilization constitutes a special problem that must be addressed separately from the matter of textile fiber and textile fabric manufacturing capabilities.

12. Tents

The need for tents constitutes perhaps the biggest and most difficult problem which the textile industry must be prepared to face in the event of mobilization. The reason for this will be evident from the technical requirements for tentage fabrics.

TABLE A-13

TECHNICAL REQUIREMENTS FOR TENT FABRICS

Critical	
— Fire resistant	Inherent, or with additive finish, or both.
— Water resistant	To one inch/hr for 12 hours, plus 3 inches per hour for 2 hrs.
— Resistant to Solar Degradation	To retain serviceability for at least 12 months continuous exposure in the tropics.
— Mildew resistant	As above for Solar Degradation
— Wind resistant	Shall resist the passage of air greater than 5 $ft^3/min/ft^2$ at 0.5" water pressure with 1 to 2 ft^3 desirable.
Essential	
— Water vapor permeable	Able to pass moisture at rates not less than 25 grams/sq meter/hr at 70°F and 55% RH.
— Tear resistant	Not less than 6 x 6 lbs/Elmendorf
— Low water pick-up	Dynamic absorption of less than 15%
— Breaking strength	Able to take snow loads of 10 lbs/sq ft and wind loads up to 80 miles/hr.
— Flexible at all temperatures	Shall not interfere with pitching, striking and packaging characteristics.
— Colorable to camouflage	Against visual observation and camouflage detection film
— Lightproof	To preclude detection of light beyond 100 meters for 2-cell flashlight held one foot from the wall with beam directed toward the ground.
Desirable	
— Light Weight	Fabric sufficient to cover 100 sq ft of floor space shall weigh no more than 40 lbs. - to permit man-packing.
— Abrasion resistant	Shall resist snags and wear when dragged over the ground in end item form.
— Non-toxic	Shall not cause dermatitis in handling.

Fire resistance of tents and thus of tentage materials must be regarded as a critical requirement. This applies irrespective of whether the tent is used to house personnel or to shelter supplies. Further, there is no possibility of eliminating or modifying this requirement. This was true in World War II, long before the Flammable Fabrics Act was developed, and is still applicable today.

Fire resistance in tentage fabrics involves a different dimension than is usually attributed to the term with its attendant properties of resistance to afterflame, resistance to afterglow, and limited destruction due to char. Fire resistance for tentage means, in this instance, that the fabric when incorporated into pin-and-pole tentage or perhaps a frame-supported tent, or when used in a paulin,will be self-extinguishing when subjected to a fire condition similar to that encountered by the tent during use. The fire must not be self propagating, and damage to the tent must be limited to that sustained during application of the test flame. Afterglow is not required to be self-extinguishing for it does not pose a serious hazard to personnel occupying tents.

The fire conditions considered likely to be encountered in a tent are of two types. The first type of fire, originating inside the tent, can be simulated by placing two pounds of shredded newspaper in a wire wastebasket and igniting it after placing it within the tent next to a sidewall and preferably in a corner. In this simulated test, the door is closed, and the results observed from outside the tent. The second type of fire condition arises from an exterior fire such as would occur to a tent surrounded by high, dry grass, or where poor housekeeping has allowed the accumulation of combustibles outside the tent next to the sidewall. These conditions can be simulated by distributing shredded newspaper for six feet from the corner of the tent on its lee side. The paper is distributed at a loading of one pound per linear foot and ignited.

Numerous tests conducted with tents under such fire conditions have shown that many fabrics which appear to be fire resistant according to standard laboratory tests will burn when made up into model tents. Conversely, single wall, air-supported shelters have been shown not to burn even when made of non-fire resistant materials. This situation is due in part to the fact that laboratory tests do not enhance the entrapment of gases evolved during early decomposition of the tent fabric. Rather, the fabric is subject to flame attack and the gases evolved escape from both fabric surfaces. In the case of single wall- air-supported tent material, the tent itself carries its own built-in fire extinguisher in that any flame induced on the fabric is rapidly cooled and extinguished by the rush of air when flame penetrates the wall.

The requirements for a fabric with or without a treatment, that will cause a flame to be self-extinguishing under the conditions of a pitched tent are very severe. They have been met up to now by three materials:

a. Cotton fabrics treated with Fire, Water, and Mildew Resistant Finish covered by specification MIL-C-41808B and CCC-C-428d.

b. A tightly woven, fine textured cotton sateen fabric, finished with vinyl-chloride-antimony oxide modification of THPC under specification MIL-C-12095.

c. A 10 oz. plain weave fabric made from a specific modacrylic fiber fabric as produced under specification LP/P DES.48-68.

All of the above treatments or fibers release halogens which serve to suppress the ignitibility of decomposition products as well as modifying the decomposition of the fibrous substrate. Both factors are needed to control fire in a tent.

As noted above, acceptable fire resistance in tents has been realized using modacrylic fiber fabric, specifically Dynel. Here, the mechanism of decomposition tends to cause physical movement of the fabric away from the flame during its decomposition, or depolymerization from the heat of the applied flame. Further, in its decomposition, chlorine is released from the vinylidene co-polymer of the modacrylic and this suppresses the ignition of flammable volatile decomposition products. The practicability of producing on a production scale the modacrylic fiber as a substitute for FWWMR coated duck for tents, which has the required high degree of tightness to provide low air permeability, has yet to be determined, since tent fabrics of this type have been produced only on a small scale for limited tests.

The experience of the military services in obtaining their requirements for fire resistant tentage fabrics in the three wars covered in this report are dealt with elsewhere in this report. It should be noted, however, that coordinated effort by three industries is involved: textile weavers for the fabric; dyers and finishers for application of the special finishes involved; and the chemical industry for the special fibers and chemical compounds needed.

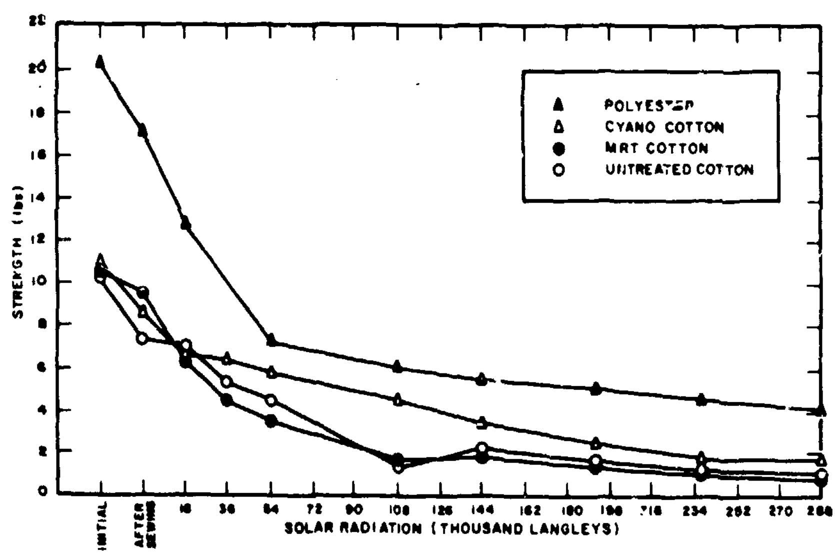
In addition to fire resistance, tent fabrics must be water resistant. The requirement of one inch per hour for twelve hours and three inches per hour for two hours are not consistent with actual environmental requirements. At this time, only water repellent treated cellulosic type water vapor permeable fabrics, which swell when wetted out, can meet this requirement. Coated fabrics are undesirable in pin-and-pole supported tents as they do not allow the escape of atmospheric moisture, and thereby cause condensation on the inside of the tent. In single wall, air-supported structures, the constant, fan-driven incoming air and normal leakage prevents condensation from becoming a problem. In double wall, air-supported structures, the air between the double walls acts as an insulator and reduces this problem of internal condensation.

Resistance to solar degradation and to weathering generally is critical in a tent fabric. The rate of degradation, which directly depends upon the vulnerability of the fiber molecule to the effects of certain bands of the spectrum, particularly ultra-violet, is also related to the mass of fibers, i.e., the outer layers tend to protect the fiber underneath. Hence, a heavier and thicker fabric is less vulnerable to solar degradation than a thinner fabric, more than proportionate to the difference in thickness. Hence the desire for lighter weight tent fabrics is diametrically opposed to the requirement for long service life — the lighter the weight, the shorter may be the anticipated life of the tent.

One action which has reduced the problem of leakage due to stretching of the duck fabric when the tent is pitched was the adoption some years ago of a low-elongation webbing as the stress bearing member of the tent deck, so that the tent duck fabric would be relieved of stress. This webbing utilizes a high modular fiber in the stuffer yarns which could be held to elongation under 2% even under heavy loads. This has permitted the use of a lighter weight fabric for the tent deck.

Actually, the Fire, Water, Weather, and Mildew Resistant Treatment which has been used on military tent fabrics is an excellent multi-purpose finish and has not been equalled by any other combination of fibers and/or finishes.

The fabrics and webbings used in tents are shown in Table A-14. It will be noted that the basic fabric is the 9.85 oz. duck, made from two-ply warp and filling yarns. This fabric reconstructed several years ago to have balanced warp and filling strength is considered to be of minimum strength and thickness to withstand weathering, and to meet the other critical requirements of a tent fabric in accordance with present technology. Also, it should be noted that the Tent, General Purpose, Medium, is the largest volume tent, used for most purposes, particularly for personnel housing, as well as other miscellaneous uses.



COMPARISON OF STRENGTH OF VARIOUS THREADS
AFTER EXPOSURE TO WEATHERING

TABLE A-14

TEXTILES USED IN TENTS

Item	Fabrics Used	Sq Yds per Tent
Tent, Hexagonal, Lt.Wt.	Cloth, cotton, WR Sateen, FR	54.0
	Cloth, cotton, duck, 9.85 oz.	.5
	Webbing, low elongation, 1"	76.0
	Other webbings	10.0
	Tapes, cotton	9.0
	Tapes, nylon	24.3
Tent, arctic, 10-man	Cloth, cotton, WR Sateen, FR	90.4
	Cloth, cotton, duck, 9.85 oz.	.2
	Tapes, cotton	98.8
	Webbing, low elongation, 1"	107.1
	Cloth, netting, nylon	11.3
Tent, General Purpose, small	Cloth, cotton, duck, 9.85 oz. FR	106.4
	Cloth, nylon, netting	19.3
	Webbing, low elongation, 1"	130.6
	Tapes, cotton	74.3
	Tapes, nylon	43.8
Tent, Command Post	Cloth, cotton, duck, 9.85 oz. FR	127.4
	Webbing, low elongation 1½"	24.1
	Tapes, cotton	63.9
Tent, Kitchen, flyproof	Cloth, cotton, duck, 9.85 oz.	201.3
	Webbing, low elongation 1½"	34.4
	Tapes, cotton	264.2
Tent, General Purpose, medium	Cloth, cotton, duck, 9.85 oz.	268.2
	Webbing, low elongation 1½"	131.4
	Tapes, cotton	90.5
Tent, General Purpose, large	Cloth, cotton duck, 9.85 oz.	423.4
	Webbing, low elongation 1½"	175.1
	Tapes, cotton	196.8
Tent Assembly	Cloth, cotton, duck, 12.29 oz.	565.5
	Cloth, cotton, duck, 9.85 oz.	311.0
	Webbing, cotton	115.0
Tent, frame type 16 x 16	Cloth, cotton, WR Sateen FR	162.2
	Webbing, low elongation 1"	10.5
	Tapes, cotton	126.6
Tent, frame type, insulated 16" section, complete	Cloth, vinyl coated duck, 9.85 oz.	145.9
	Webbings, cotton	97.9
	Tapes, cotton	16.0

TABLE A-14
(Continued)

Item	Fabrics Used	Sq Yds per Tent
Tent, maintenance shelter	Cloth, cotton, duck, 9.85 oz.	313.4
	Cloth, cotton duck No. 6	13.2
Tent, frame type, maintenance sections, medium	Cloth, cotton, duck 0.95 oz.	143.3
	Tapes, cotton	24.5
	Webbings, cotton	13.2
Tent, radome, air supported	Cloth, polyester	257.0
	Webbing, nylon	21.3
Tent, double wall, air supported Nike Hercules system	Cloth, coated nylon	3108.0
	Tapes, cotton	100.1
	Webbings, cotton	9.3
	Webbings, nylon	114.4
TENT LINERS		
Tent, hexagonal, Lt.Wt.	Cloth, cotton sheeting	35.8
	Webbings, cotton	43.7
Tent, general purpose, small	Cloth, cotton, permeable, 5.2 oz.	66.4
	Webbing, low elongation 1"	63.2
	Tapes	14.4
Liner, tent, general purpose medium	Cloth, cotton oxford 5.2 oz.	162.4
	Cloth, saran, netting	45.4
	Webbing, low elongation 1"	102.7
	Webbings, other cotton	89.0
Liner, tent, general purpose large	Cloth, cotton oxford, 5.2 oz.	281.3
	Cloth, saran, netting	71.9
	Webbing, low elongation 1"	123.5
	Webbing, other cotton	119.7
Liner, section, tent, frame-type, maintenance	Cloth, cotton sateen	549.4
	Tapes, cotton	105.3

II. PARACHUTES AND RELATED AIR-DROP EQUIPMENT

Personnel parachutes are identified as "safety of personnel" items, and the tie-downs and extraction chutes of cargo parachutes are classified as "safety of aircraft" items. As such these items are covered by unusually stringent design and safety specifications, manufacturing practices, quality assurance procedures and handling, and storage and surveillance requirements. The technical requirements applicable to the various textiles used in parachutes and air-drop equipment are shown in Table A-15.

TABLE A-15

TECHNICAL REQUIREMENTS FOR TEXTILES FOR PARACHUTES AND RELATED AIR-DROP EQUIPMENT

Requirements	Canopies	Canopy Lines	Harnesses	Extraction Lines	Tie-Downs	Suspension Slings	Deployment Bags Packs
Light Weight	Desirable	Desirable	Desirable	Critical	Desirable	Desirable	Desirable
High Impact Strength	Critical	Critical	Critical	Critical	Critical	Critical	Desirable
Low Bulk	Essential	Essential	Essential	Critical	Desirable	Essential	Desirable
Abrasion Resistant	Essential	Essential	Essential	Critical	Critical	Critical	Essential
Light & Heat Resistant	Essential	Essential	Essential	Essential	Essential	Essential	Essential
Melt Resistant	Essential	Essential	Desirable	Desirable	Desirable	Essential	Desirable

Other special requirements include controlled air porosity for canopy fabrics, within a specified range to assure proper opening characteristics.

For cargo parachutes, for use in re-supply operations where no recovery is normally feasible, cost is a critical requirement which impacts heavily on the technical requirements. Technical requirements may have to be "traded-off" against cost for "one-time use" parachutes.

For certain load tie-downs, low elongation is an essential requirement. For example, for normal tie-down of loads to air-drop platforms, polyester rather than nylon is being used because of its lower elongation and less susceptibility to load shift. For the LAPES air-drop system, nylon is being used because of the higher "g" forces involved.

Another important requirement is for repair and replacement parts. In view of the high maintenance requirements for parachutes,parts which may have been damaged or are of questionable serviceability, must be replaced in normal repair operations.

TABLE A-16

PRINCIPAL TYPES OF PARACHUTES

Parachute	Type Cloth
Parachute, Personnel T-10 Back 1670-753-3727	MIL-C-7020F, Type I
Parachute, Personnel T-10 Reserve 1670-376-8779	MIL-C-7020F, Type I
Parachute, Personnel MC1-1 1670-182-3220	MIL-C-7020F, Type I
Pilot Chute, Personnel Back 1570-892-4215	MIL-C-7020F, Type I
Parachute, Halo, Back 1670-892-4215	MIL-C-7020F, Type I
Parachute, Cargo, 500 lb. Cap. 12 ft. high velocity 1670-999=2658	MIL-C-4279, Type III (cotton)
Parachute, Cargo, 500 lb. Cap. 12 ft. high velocity 1670-788-8666	MIL-C-4279, Type III (cotton)
Parachute, Cargo, 2200 lb. Cap. 26 ft, High Velocity 1670-872-6109	MIL-C-4279, Type III (cotton)
Parachute, Cargo, 2200 lb. Cap. 64 ft, Type G-11A –1670-893-2371	MIL-C-7350, Type I (nylon)
Parachute, Cargo, 3500 lb. Cap. 100 ft. Type G-11A –1670-269-1107	MIL-C-7020F, Type II (nylon)

TABLE A-16 (Continued)

Parachute	Type Cloth
Parachute, Extraction 15 ft., 1670-052-1548	MIL-C-7350, Type I
Parachute, Extraction 22 foot, 1670-687-5458	MIL-C-7350, Type II
Parachute, Extraction 28 foot, 1670-687-5458	MIL-C-7350, Type II (Nylon)
Pilot Chute, G-12 1670-216-7297	MIL-C-7020F, Type I

APPENDIX B

FEDERAL SPECIFICATION CLASSES
IN WHICH TEXTILES OR ITEMS USING TEXTILES ARE LISTED

FSC CLASS

3510	—	Laundry & Dry cleaning equipment
4020	—	Fiber Rope, Cordage, & Twine
5970	—	Electrical Insulators & Insulating Materials
6532	—	Hospital & Surgical Clothing & Textile Specific Purpose Items
7210	—	Household Furnishings
7220	—	Floor Coverings
7290	—	Miscellaneous Household & Commercial Furnishings & Appliances
7920	—	Brooms, Brushes, Mops & Sponges
8305	—	Textile Fabrics
8310	—	Yarn & Thread
8315	—	Notions & Apparel Findings
8320	—	Padding & Stuffing Materials
8325	—	Fur Materials
8335	—	Shoe Findings & Soling Materials
8340	—	Tents & Tarpaulins
8405	—	Outerwear, Men's
8410	—	Outerwear, Women's
8415	—	Clothing, Special Purpose
8420	—	Underwear & Nightwear, Men's
8430	—	Footwear, Men's
8435	—	Footwear, Women's
8440	—	Hosiery, Handwear, & Clothing Accessories, Men's
8445	—	Hosiery, Handwear, & Clothing Accessories, Women's
8465	—	Individual Equipment
8470	—	Armor, Personal
9420	—	Fibers, Vegetable, Animal & Synthetic
9925	—	Ecclesiastical Equipment, Furnishings, & Supplies
9930	—	Memorials, Cemeterial, & Mortuary Equipment & Supplies

Unclassified
Security Classification

DOCUMENT CONTROL DATA - R & D

(Security classification of title, body of abstract and indexing annotation must be entered when the overall report is classified)

1. ORIGINATING ACTIVITY (Corporate author) U. S. Army Natick Laboratories Natick, Mass. 01760	2a. REPORT SECURITY CLASSIFICATION Unclassified 2b. GROUP NA

3. REPORT TITLE

THE CHANGING CAPABILITY OF THE TEXTILE INDUSTRY TO SUPPORT NATIONAL DEFENSE

4. DESCRIPTIVE NOTES (Type of report and inclusive dates)

5. AUTHOR(S) (First name, middle initial, last name)

Dr. Stephen J. Kennedy

6. REPORT DATE	7a. TOTAL NO. OF PAGES	7b. NO. OF REFS
June 1973	-	-

8a. CONTRACT OR GRANT NO. b. PROJECT NO. c. 1J764713DL40 1J662713DJ40 d.	9a. ORIGINATOR'S REPORT NUMBER(S) TR-73-50-CE 9b. OTHER REPORT NO(S) (Any other numbers that may be assigned this report)

10. DISTRIBUTION STATEMENT

Approved for public release; distribution unlimited.

11. SUPPLEMENTARY NOTES	12. SPONSORING MILITARY ACTIVITY

13. ABSTRACT

This study is directly related to the Army's research and development on new and improved materials for the soldier's clothing and personal life support equipment system that could be produced quickly from a broad base of the textile industry's facilities to meet the logistical support requirements of a possible future mobilization.

Recent trends in the textile industry necessitate a reappraisal of the capability of the textile industry to provide adequate support to the military services in some future national emergency. These trends include: increasing textile imports, the revolutionary changes occurring in textile manufacturing, and the relative shrinkage in size of the industry's broadwoven goods manufacturing capacity in relation to total consumer demand.

This report attempts to formulate some of the problems which can be foreseen at this time, and to indicate some of the factors that would be involved in assuring an adequate supply of essential military textile materials.

DD FORM 1 NOV 65 1473 REPLACES DD FORM 1473, 1 JAN 64, WHICH IS OBSOLETE FOR ARMY USE.

Unclassified
Security Classification

Unclassified
Security Classification

14 KEY WORDS	LINK A ROLE	LINK A WT	LINK B ROLE	LINK B WT	LINK C ROLE	LINK C WT
INDUSTRIAL MOBILIZING	8		6,7			
MILITARY MOBILIZING	8		6,7			
TEXTILE INDUSTRY	8,9		9			
Worsted Fabrics	9					
DUCK (FABRIC)	9					
COTTON FABRICS	9					
MAN-MADE FIBER FABRICS	9					
ENERGY CRISIS			6,7			
BALANCE OF PAYMENTS			6,7			
OIL IMPORTS			6,7			
PARACHUTES	4					
TENTS	4					
CLOTHING	4					
UNIFORMS	4					

Security Classification

Mr. VANIK. Thank you very much.

The next witness is Mr. George Vargish of the National Knitted Outerwear Association.

STATEMENT OF GEORGE VARGISH, PRESIDENT, NATIONAL KNITTED OUTERWEAR ASSOCIATION

Mr. VARGISH. Mr. Chairman, I would like to thank you for this opportunity to appear before this committee. I would request that my full statement be made part of the proceedings. I will not read the full statement.

I am George Vargish, and I appear here as president of the National Knitted Outerwear Association, an organization which represents approximately 625 manufacturers of sweaters, knitted shirts, swimwear and other knitted apparel, located in 37 States of the Union, all striving to preserve jobs for some 80,000 men and women who depend upon this industry for their livelihood. In addition, our association has over 400 associate members in the various supply trades which supply our industry and which employ 40,000.

These jobs and the future of these firms are in jeopardy because of increasing imports and I, therefore, thank you for the opportunity of appearing before you to support the speedy enactment of H.R. 10853.

It is difficult to reconcile the position taken by our Government when one analyzes the conclusion, as reported in the May 17, 1978, Daily News Record of a new bilateral agreement with Colombia wherein the quota for 1978 on textiles will double that of 1977 and an automatic 7-percent increase each succeeding year over the life of the agreement, which extends into 1982. The statement was also made by our negotiator that the amount could be expanded under the "consulting plan."

The facts surrounding the penetration by imports of our apparel and textile markets support the enactment of bill H.R. 10853.

The knitwear industry even under existing tariff rates is highly vulnerable to imports. Foreign sweaters in all fibers and of all types account for more than half our domestic consumption. Last year they reached a level of more than three times what they were in 1966. In that same period domestic production declined by 25 percent. Also in excess of 50 percent was the import penetration of our market for knitted shirts for women, girls and infants. Other classifications of knitwear are rising and are similarly threatened.

It is obvious that no tariff cuts are needed for the further encouragement of imports. This industry has borne far more than its fair share of the import burden. What we desperately need is bilateral agreements that will better assure the survival of this industry and its jobs.

I would like to depart from my text and make the following comment: our EEC allies have demonstrated a far greater sense of responsibility to maintain their domestic industry. An examination of the United Kingdom EEC bilateral concluded with Hong Kong reveals the following: a 39-percent reduction of sweater shipments for 1978 from the 1977 level. Let us look at the U.S. negotiation record. We conclude an agreement with Hong Kong that calls for a total reduction of 3 percent in sweaters for the period 1978 over 1977.

Last year, going back to my text, imports of knitted outerwear in all fibers amounted to 286 million pounds net weight. This quantity exceeds the total number of pounds of yarns reported by the Bureau of the Census to be consumed by the domestic industry in the production of comparable garments.

Recently the U.S. Treasury in a preliminary determination found that seven countries are subsidizing significantly their exports of textiles and apparel to the United States.

We have discussed mainland China, the People's Republic of China. Let us look at the record.

In 1975 they imported 8.3 million pounds, in 1976, 22.4 million pounds, and in 1977, 32.9 million pounds, with 5.1 million in December alone of that year. What does this portend? These imports are without a doubt destined to be used for sweaters to be exported to the United States. We have already received reports of such purchases by large U.S. retailers.

Even with respect to the less developed countries which like Taiwan, Korea, and Hong Kong, are major suppliers, the bilateral restraining agreements have been so flexible and so subject to administrative change and the slippage of the control system that the industry and its jobs should not be further jeopardized by increasing and pressure of imports of either our market or the administrators of the control system.

There is far more to be said than can be condensed into the few minutes allotted to me here. We have discussed the balance-of-trade deficit as it pertains to textiles for the year 1977, over $3 billion. Our industry employs less than 10 percent of the total labor force involved in textile apparel industry, and we had to absorb $1,503 million or about 50 percent of the total textile trade deficit for 1977.

Removal of apparel and textiles from multilateral trade negotiations would help prevent the further deterioration of our trade deficit that tariff cuts in this area could otherwise induce.

Tariff cuts can only serve to aggravate our textile and apparel trade deficit. They would, however, bring little benefit to the consumer, as had been previously and repeatedly demonstrated. The lower the acquisition prices of imports to American retailers, the higher is the markup they enjoy in their selling price to the American consumer.

I would like to address these comments to the committee. I am impressed by the interest and concern you have shown for labor and industry in America. Thank you.

[The prepared statement follows:]

STATEMENT OF GEORGE VARGISH, PRESIDENT, NATIONAL KNITTED OUTERWEAR ASSOCIATION

I am George Vargish and I appear here as President of the National Knitted Outerwear Association, an organization which represents approximately 625 manufacturers of sweaters, knitted shirts, swimwear and other knitted apparel, located in 37 States of the Union, all striving to preserve jobs for some 80,000 men and women who depend upon this industry for their livelihood. In addition our Association has over 400 associate members in the various supply trades which supply our industry and which employ 40,000.

These jobs and the future of these firms are in jeopardy because of increasing imports and I, therefore, thank you for the opportunity of appearing before you to support the speedy enactment of HR 10853.

I wish first to compliment the authors of that Bill and to express our appreciation to them and to those legislators who have joined in co-sponsoring this measure The Bill is a model of brevity and adroitness of draftsmanship. Not only would it remove all apparel and textiles from the current Multilateral Trade Negotiations but the manner in which it would effect this result emphasizes the essential fairness and logic of this result.

The Trade Act now provides that where an industry is found by the United States International Trade Commission to have suffered or to be threatened by serious injury as a result of imports and the President decides that a remedy should be applied, he may invoke four types of relief. Among then he may negotiate orderly marketing agreements with exporting countries limiting their shipments into our market; and where he does so the articles affected are by statute automically exempt from the Tokyo Round.

Textiles and Apparel have long been recognized as requiring such special treatment and have for years therefore been the subject of orderly trade agreements. The necessity for developing such controls or international trade in apparel and textiles has been acknowledged by the Congres under Section 204 of the Agricultural Adjustment Act as amended, and by its continuous interest in the textile import control program, by the GATT, by the major trading nations of the world as far back as 1961, and by successive administrations both Republican and Democratic since then. To withhold exemption from apparel and textiles which by our own and foreign governments have for so long regarded as requiring orderly marketing agreements while allowing such exemption to cases approved by the U.S. International Trade Commission and the President is both illogical and inequitable.

It is a strange anomaly that any industry which is newly found to require orderly marketing agreements under the more limited procedures of the Trade Act is excluded from tariff cutting negotiations, while the textile and apparel industry whose need for such alleviatory measures rests on a much broader consensus of governmental and international authorities and of more extensive and repeated reapprovals is denied this same exemption. It is that anomaly which this Bill seeks to correct.

It is difficult to reconcile the position taken by our Government when one analyzes the announced conclusion of a new bilateral with Colombia wherein the quota for 1978 on textiles will double that of 1977 and an automatic 7-percent increase each succeeding year over the life of the agreement which extends into 1982. The statement was also made by our negotiator that the amount could be expanded under the "consulting plan".

The facts surrounding the penetration by imports of our apparel and textile markets support the enactment of Bill HR 10853.

The knitwear industry even under existing tariff rates is highly vulnerable to imports. Foreign sweaters in all fibers and of all types account for more than half our domestic consumption. Last year they reached a level of more than three times what they were in 1966. In that same period domestic production declined by 25-percent. Also in excess of 50-percent was the import penetration of our market for knitted shirts for women, girls, and infants. Other classifications of knitwear are rising and are similarly threatened.

It is obvious that no tariff cuts are needed for the further encouragement of imports. This industry has borne far more than its fair share of the import burden. What we desperately need is bilateral agreements that will better assure the survival of this industry and its jobs.

Last year imports of knitted outerwear in all fibers amounted to 286 million pounds net weight. This quantity exceeds the total number of pounds of yarns reported by the Bureau of the Census to be consumed by the domestic industry in the production of comparable garments.

Recently the U.S. Treasury in a preliminary determination found that seven countries are subsidizing significantly their exports of textiles and apparel to the United States.

If tariffs on knitted outerwear were to be cut the effect would be to encourage imports of competitive knitwear from Europe whose shipments to the United States have thus far been moderate compared to the heavy influx that orginate in the low wage countries of East Asia. The danger is, moreover, that in the case of European suppliers the prospects of negotiationg any bilateral restraining agreements such as those with countries of East Asia are for political reasons so remote as to be altogether nil.

Another disturbing factor now emerges. Mainland China is beginning to import quantities of Acrylic staple from Japan. In 1975 they imported 8.3 million pounds. In 1976 22.4 million pounds and in 1977 32.9 million pounds with 5.1 million in December alone of that year.

These imports are without a doubt destined to be used for sweaters to be exported to the United States. We have already received reports of such purchases by large U.S. retailers.

Even with respect to the less developed countries which like Taiwan, Korea and Hong Kong are major suppliers, the bilateral restraining agreements have been so flexible and so subject to administrative change and the slippage of the control system that the industry and its jobs should not be further jeopardized by increasing and pressure of imports on either our market or the administrators of control system.

The Administration has indicated that the elimination of textiles and apparel from the Tokyo Round is likely to destroy the possibilitiy of reaching any kind of general agreement. It is hard to accept the appraisal that the whole edifice of these negotiations would crumble if further tariff cuts were to be withheld for textiles and apparel in which exporting nations already enjoy deep penetration of our market. Is it likely that the refusal to grant further tariff concessions on textiles and apparel would cause the breakdown of the MTN when exporting countries even under the existing duties have had no serious difficulty in making massive entry of our market particulaly in apparel? If tariff concessions in textiles and apparel are so essential a consideration to the future of these negotations, it can only be because further reductions would be serious, sufficient to generate a substantial additional import volume. All the greater, therefore, must be our concern and all the greater is the need for the Bill under consideration here.

There is far more to be said than can be condensed into the few minutes allotted to me here. One further point, however, deserves to be emphasized. Our balance of trade deficit is serious. We were $27 billion in the red last year. Besides, in the first quarter of this year the deficit was running at an annualized rate of over $30 billion.

The U.S. Bureau of the Census has released the U.S. balance of textile trade deficit for 1977 and the total was $3,078,000,000. As indicated in the past, we employ less than 10 percent of the total labor force involved in the Textile/Apparel Industry yet we had to absorb $1,503,000,000 of this total or about 50 percent of the total textile trade deficit for 1977.

Removal of apparel and textiles from Multilateral Trade Negotiations would help prevent the further deterioration of our trade deficit that tariff cuts in this area could otherwise induce.

Tariff cuts can only serve to aggravate our textile and apparel trade deficit. They would, however, bring little benefit to the consumer as had been previously and repeatedly demonstrated. The lower the acquisition prices of imports to American retailers the higher is the markup they enjoy in their selling price to the American consumer.

These are some of the reasons why the employers of the knitted outwear industry and the more than 120,000 employees whose jobs depend on the industry's survival want to see favorable action taken as soon as possible on the Bill here under study. We consider prompt action essential.

Mr. VANIK. Thank you very much, Mr. Vargish.

Our next witness will be Kenneth V. Chace, director of the Northern Textile Association, and Mr. William F. Sullivan, president.

Mr. Chace.

STATEMENT OF KENNETH V. CHACE, DIRECTOR, AND WILLIAM F. SULLIVAN, PRESIDENT, NORTHERN TEXTILE ASSOCIATION

Mr. CHACE. Mr. Chairman, my name is Kenneth V. Chace. I am speaking for the Northern Textile Association, of which I am a director. I am accompanied by Mr. William F. Sullivan, president of the association. I am also president of two textile companies, Berkshire Hathaway, Inc., in New Bedford, Mass., and Waumbec Mills, Inc., in Manchester, N.H. I appreciate the opportunity to participate in these hearings. I will provide a brief summary. I would like the chairman's permission to have my full statement included in the record.

Mr. VANIK. I might say the full statement of every member of the panel will be included in the record as submitted.

Mr. CHACE. We fully support the bill, and wish to join with our colleagues and the other associations, with the fiber producers, and with the labor unions, in supporting its enactment. The increasing levels of imports, which began in the late 1950's, has caused serious injury and loss of jobs in our industry in the North. Employment in New England mills has been cut in half in the last 20 years, and even in the last 10 has dropped almost 50 percent.

I would like to point out, however, that in the New England and mid-Atlantic complex there are still over 634,000 jobs in the textile/apparel complex.

We are glad to have the multifiber arrangement and bilateral agreements, but as you can see from the statistics on imports, it does not provide the degree of security for our domestic industry that we had hoped. The surge of imports in the first 5 months of this year demonstrate how serious the situation is, and how rapidly imports can rise.

We need every bit of tariff protection that we can get. At the current rate of import growth, there will be a $5 billion trade deficit in textiles and apparel by the end of the year.

I should like to make just one point. We have enough trouble. This is not the time to encourage more imports and to make matters worse. We urge you to intervene and stop the administration from offering to cut our tariffs. Whatever the tradeoff may be, it would be a serious loss to the Nation's basic industry, the textile/apparel complex.

This bill merely says to the administration, "Don't make matters worse." We are not asking for anything more. We are only asking our Government to refrain from acting in a way that would cause us more distress, more unemployment, more losses, and more hardship. This seems reasonable to us.

Many of our members feel that tariffs should be increased. We are not asking for this. We are only asking that our Government hold the line on such modest tariff protection as we now have.

Thank you.

[The prepared statement follows:]

STATEMENT OF KENNETH V. CHACE, DIRECTOR, NORTHERN TEXTILE ASSOCIATION

My name is Kenneth V. Chace. I am a Director and a former Chairman of the Northern Textile Association, 211 Congress Street, Boston, Massachusetts. I am speaking for the association. I am also President of Berkshire Hathaway, Inc. of New Bedford, Massachusetts and President of Waumbec Mills, Incorporated of Manchester, New Hampshire. We manufacture man-made fiber and cotton blended fabrics.

I am accompanied by William F. Sullivan, President of Northern Textile Association. Our members are manufacturers of textiles located throughout the country but principally in the Northeast and primarily in New England. These operations use cotton, wool and man-made fibers to spin, weave broad and narrow fabrics, as well as to braid, knit and make felt products. They produce yarn and fabrics for apparel, home furnishings, health care products, industrial uses and recreational and sporting goods.

The small cities and towns where many of these plants are located are largely dependent on the jobs and payrolls of the millls. In the Northeast, the textile/apparel industry employs 634,000 workers. In New England, textile and apparel industries employ 136,000 workers and provide one in every ten manufacturing jobs. In states such as Maine, Massachusetts and Rhode Island the proportion is greater.

The members of the Association fully support the Holland-Broyhill Bill which would remove textiles and textile products from the multilateral negotiations now in progress in Geneva.We support the uniform position of the textile and apparel industries, the fiber industries and the union representatives of the workers in these mills. This position and the reasoning for it has already been presented to you and it is not my purpose to take your time to re-state this presentation.

We want to take a few minutes of your time to appear personally on behalf of our members. Most of our Congressmen are co-sponsors of the Holland-Broyhill Bill. Our Association is made up to a large extent of the small and medium-size privately owned textile companies. Most of us have been in business a long time. Our Association was founded in 1854.

The increasing levels of imports which began in the late 1950's has caused serious injury and loss of jobs in our industry in the North. Employment in New England mills has been cut in half in the last 20 years and even in the last 10 years we have had a 47 percent drop in jobs We were in the forefront of the effort to secure a system of quota limitations on imports beginning with the cotton agreement with Japan in the late 1950's and the Long Term Cotton Arrangement initiated by President Kennedy. It was not until 1973 that the Multi-Fiber Arrangement was attained. In the meantime, the imports of textiles and apparel grew. Today, imports of textiles are at a rate of 6 billion square yards annually.

In dollar terms the trade deficit this year will be close to 5 billion dollars.

Although we are glad that there is a Multi-Fiber Arrangement and bilateral agreements, we are disturbed by the 33 percent growth during the first four months of this year of imports over the same period a year ago. The following table shows that no segment of our industry has been spared from this rising surge.

U S GENERAL IMPORTS OF COTTON, WOOL, AND MAN-MADE FIBER TEXTILES—JANUARY-APRIL

[Million SYE]

	1977	1978	Percent change [1]
Three-fiber total	1,523	2,027	+33
Yarns	299	429	+44
Fabrics	380	524	+38
Apparel	728	925	+27
Made-up and Miscellaneous	118	150	+28
Cotton, total	545	782	+43
Yarns	23	30	+30
Fabrics	217	338	+56
Apparel	239	336	+40
Made-up and Miscellaneous	66	78	+19
Wool, total	34	44	+28
Yarns	3	4	+43
Fabrics	10	11	+9
Apparel	18	26	+42
Made-up and Miscellaneous	4	4	
Man-Made fiber, total	944	1,201	+27
Yarns	273	394	+45
Fabrics	153	175	+15
Apparel	470	563	+20
Made-up and Miscellaneous	48	69	+42

[1] Calculated using unrounded data

The heaviest concentrations are in apparel. Every item of apparel imported displaces American fabrics. Cotton apparel imports are up 56 percent; wool, 42 percent; and man-made fiber, 20 percent. On top of these apparel imports which put our customers out of business as well as ourselves, fabric imports have risen 38 percent.

I will not belabor you with statistics. I know you have plenty of these. To those of us who are in the textile business, they are very real. They mean losses in sales and income. They mean layoffs and loss in employment. They mean hardship in the towns and cities where we are located. They remind us again of our colleagues who not so many years ago had viable and succesful textile operations in our area and who have not survived to be here today. The high levels of unemployment and distress are living reminders that our industrial base in textiles has been eroded by a growing level of imports of fabrics and apparel and other textile products. These goods are produced under working conditions and for wages which we in America will not tolerate.

This is not the time to encourage more imports. This is not the time to make matters worse. We urge this Committee, and through the Committee, urge Congress to intervene and to act favorably on the Holland-Broyhill Bill.

There are some who feel that because of the MFA and a structure of quota restraints, the U.S. can reduce its tariffs and not increase unemployment or damage the textile industry. We respectfully submit that this is not the case. Our experience of the last 20 years has proven that tariffs are very important. The purpose of cutting our textile tariffs is to accelerate the rate of increase of imports. And this is exactly what will happen. This does not make sense as textile imports even with the MFA are growing while our output has been virtually static.

The fiber-textile-apparel complex is not only a big segment of the national economy and a major segment of the Southern economy, but it is also a major segment of the Northeast economy. In the new England and Middle Atlantic states of New York, New Jersey and Pennsylvania there are 633,000 textile and apparel jobs. They constitue almost 13 percent of all manufacturing employment. The health of an industry of this magnitude in these metropolitan areas deserves the most serious consideration of our Government. I need not mention other areas such as the cotton and wool growing areas that depend on the well being of textile manufacturing.

We are struggling, as we have in the past, with a very difficult situation. The level of imports, as it rapidly rises, worsens this situation and makes the issue more critical.

The Holland-Broyhill Bill merely says to the Administration, "Don't make it worse!" This Bill asks for nothing more. It only asks that the Federal Government refrain from acting in a way which would cause more distress, more unemployment, more losses and more hardship. To us, this seems reasonable.

There are many members of our organization, such as in the felt and other areas who have been seriously hurt as a result of cuts in the Kennedy Round and in earlier tariff negotiations. They would like to see us here today asking for a restoration of the protection which the former tariffs gave to them. We are not doing this. We are only asking that we not be hurt any more. We are asking that our investments and the jobs that we create not be handed over to investors in other countries and to workers in those countries. If some believe that we should exchange our textile jobs and investments to help other Americans export their products, I can assure you that the textile investors and the textile workers who have been the victims of a growing level of imports do not see it that way. We feel we are doing our share and have been doing our share in the whole post-war period. We urge this Committee, and through this Committee, the Congress to put a stop to offering tariff reductions which is just another way of offering our much needed American jobs and investments to others.

Thank you.

Mr. HOLLAND. Thank you, sir.

The next witness is Mr. Chester Kessler.

STATEMENT OF CHESTER KESSLER, PRESIDENT, CLOTHING MANUFACTURERS ASSOCIATION OF THE UNITED STATES OF AMERICA

Mr. KESSLER. I thank you for recognizing us. We are one of the organizations that have yielded our time to Mr. Small, and since our full text has been entered into the record, I think now we can pass to the next witness.

[The prepared statement follows:]

STATEMENT OF CHESTER KESSLER, PRESIDENT, CLOTHING MANUFACTURERS ASSOCIATION

I am Chester Kessler, President of William B. Kessler, Inc. and President of the Clothing Manufacturers Association of the United States of America. The Clothing Manufacturers Association is the national organization of the Men's and Boys' Tailored Clothing Industry of the United States. Our members are located throughout the nation and produce the vast majority of the Men's and Boys' tailored clothing made in this country. The Association acts as the official spokesman for the Men's and Boys' Tailored Clothing Industry before all Government agencies, and since its inception in 1933, it has been the official collective bargaining representative of the manufacturers with the Amalgamated Clothing and Textile Workers Union.

Our Association represents a large and vital group of American manufacturers who, collectively, have been adversely affected by imports as much as, if not more than, any other sector of the entire textile and apparel industry. We therefore have a particularly urgent desire and need to appear today to express our great concern over the serious, negative repercussions which the Multilateral Trade Negotiations may have on the firms and workers which comprise the men's and boys' tailored clothing industry. We further wish to impress upon you our very strong support for H.R. 10853 and the other identical bills now before you.

I. THE NEED FOR MAINTAINING TARIFF LEVELS IS CLEAR

U.S. apparel manufacturers, in general, and Men's and Boys' tailored clothing manufacturers, in particular, have for years borne a major portion of the import damage to the textile and apparel industry.

Five years ago the need for a comprehensive mechanism to control international trade in textiles and apparel was abundantly clear. This need for relief for the U.S. textile and apparel industry in the face of a rising volume of imports led to the instrumental role played by the U.S. in instituting the Multifiber Arrangement, or the MFA, in 1974. Now, in the fifth year of the operation of the MFA, the need for import relief, as well as the protection provided by current tariff levels, is as acute as ever.

At a time when great concern is being expressed over the impact of oil imports on the U.S. trade deficit, it appears to us that the unbelievably large and growing trade deficit in the area of apparel products has gone largely unnoticed. From a value of only $600 million in 1967, apparel imports grew to a record value of $3.7 billion in 1977. Since 1967 the value of apparel imports has increased over five times. At the same time, the value of U.S. exports of apparel increased from only $100 million to $500 million. Thus, from a net deficit position of $500 million in 1967, the U.S. trade balance in apparel has deteriorated to and astronomical deficit of $3.2 billion or the highest deficit on record.

Even more ominous is the fact that for the first quarter of 1978, the U.S. deficit resulting from trade in all textiles and apparel is nearly $1 billion, almost double the figure for the first quarter of 1977. Actual imports of apparel alone in the first four months of this year came to 925 million square yard equivalents, which represents a full 27 percent increase over the same period of 1977. I must also emphasize that apparel imports in all of 1977 were 2.6 billion square yard equivalents, also the highest level on record to that date.

After hearing these facts, I find myself thinking that maybe the MFA has expired without my realizing it. Or thinking perhaps that the MTN has already concluded and that the substantial tariff cuts which the textile and apparel industry believes are being offered in Geneva have already been made. But neither of these events has yet come to pass. In fact, this frightening deterioration of the trade situation has occurred right at the very time when the Executive Branch has made repeated promises to get tough with our trading partners through the bilateral agreements which are negotiated through the MFA.

The MFA and the bilateral agreements negotiated under it have been in effect for four and a half years and have operated together with the clearly needed current level of tariff protection. Since the textile and apparel import situation has deteriorated markedly since 1974, what possible rationale could justify tariff cuts at this time? The footwear, color TV, and specialty steel industries have similar orderly marketing agreements to protect them from disruptive imports. Yet they have been exempted from tariff cuts at the MTN because such action would clearly mitigate against the necessary relief already provided to them under the Trade Act of 1974. Why then should the textile and apparel industry be exposed to substantial tariff cuts, the effect of which would be to undermine seriously the already questionable effectiveness of the MFA?

II. THE PAST AND PRESENT IMPACT OF IMPORTS ON APPAREL FIRMS AND WORKERS

There are many indications of serious injury which has already been caused by imports, not just to the members of our Association, but to all apparel manufacturers. Total employment in the apparel portion of the textile and apparel industry fell from 1,406,000 workers in 1968 to 1,288,000 workers in 1977 or a loss of 118,000 jobs. From 1974, or the year of the institution of the MFA, total employment fell from 1,348,000 to 1,288,000 or a loss of 60,000 workers.

Similar serious declines have been experienced by the members of our Association. For example, a major portion of the production of our firms is Men's and Boys' suits and coats. In this segment of the U.S. apparel industry, total employment fell from 130,700 workers in 1967 to 102,600 in 1974, the year of the institution of the MFA, for a net decline of 22 percent. From 1974 to 1977, employment fell another 14 percent, from 102,600 workers to 87,900. Thus, this significant portion of the production of the members of our Association has suffered cutbacks resulting in 43,000 lost jobs since 1968, or a full third of the labor force. In the first four months of this year, in the face of a further onslaught of imports, preliminary data from the Department of Labor indicate that another 1,800 jobs were lost, putting total employment at only 86,100 workers.

The long and growing list of workers certified as eligible for Trade Adjustment Assistance tells the same story. In the three years from April 1975 through March 1978, an estimated 45,916 workers in just the apparel sector of the textile and apparel industry have been certified by the Labor Department for benefits under the new Trade Adjustment Assistance program as a result of losing their jobs to imports. Thus far, a total of over $32 million has been disbursed to these workers through this one program. Increases in both the number of eligible workers and the cost to the taxpayers are sure to accelerate if tariff cuts are made.

The number of firms in the apparel sector of the textile and apparel industry has also declined dramatically. In 1963, the Census Bureau counted 19,008 apparel manufacturing establishments, while by 1975 that number had dropped to only 16,117. Although demand in 1976 and 1977 has improved from the 1975 recession year, I assure you that most U.S. apparel firms have been hard-pressed to share in that growth.

Over the last ten years U.S. production of item after item of apparel has fallen, while imports have increased. In the case of men's and boys' suits, total supply to the U.S. market rose from 25,504,000 suits in 1968 to 27,024,000 suits in 1976, while U.S. production actually fell from 24,024,000 to 23,400,000. Total supply of certain men's and boys' coats rose from 91,548,000 in 1968 to 103,428,000 in 1976, while U.S. production fell from 82,656,000 to 78,612,000. The list goes on and on.

III. DESPITE THE MFA TARIFF CUTS WILL CAUSE SERIOUS HARM

One argument for tariff cuts in the MTN which we are constantly faced with is that the U.S. textile and apparel industry already has a unique and comprehensive mechanism—the MFA—to prevent undue injury from the impact of imports. By implication, this presumably means that substantial tariff cuts would not be overly harmful to the industry. This argument seems specious on its face when one looks at the trade figures in the last year and a half.

As regards the MFA itself, there are well-known problems which will be seriously exacerbated if substantial tariff cuts result from the current MTN. The first and foremost problem with the MFA is imports from uncontrolled sources. Despite the multi-fiber bilaterals with fourteen countries now in effect and an additional four bilaterals covering cotton textiles alone negotiated under the MFA, tariff cuts will certainly lead to increased imports from sources not now controlled. Although this threat could theoretically be met by prompt action by the U.S. Government pursuant to the MFA, the domestic textile and apparel industry has already suffered substantial injury since 1974 because expeditious action has not been taken to limit imports from uncontrolled sources.

There are many examples of foot dragging by the U.S. Government, a prime example of which occurred in the case of Romania. Prior to January 1977 only cotton textiles were controlled by a bilateral agreement. In 1974, imports of all textile and apparel products from Romania were 9 million square yard equivalents, of which imports of wool and man-made fiber products were only 1.5 million square yard equivalents. By 1976, total imports had jumped to 34 million square yard equivalents, a 278 percent increase, while imports of wool and man-made fiber products alone increased ten-fold during this period. Only after this rapid increase were there negotiations which led to an additional bilateral agreement covering wool and man-made fiber textiles in 1977. Even with this bilateral in effect, growth provisions allowing nearly 6 percent annual growth in restraint levels and complicated flexibility provisions will insure continued growth in imports from that source.

An equally serious problem for the U.S. textile and apparel industry regarding the MFA is the intense pressure from various quarters, both foreign and domestic, to increase restraint levels on controlled countries, which has led to acquiescence on the part of the Executive Branch in the past. If existing tariffs are cut, we can expect even stronger pressures to relax these controls.

Finally, it is well-known that the restraint levels on many specific textile and apparel products are currently well above actual import levels. This unfortunate feature of the current bilaterals will allow many countries room for major increases in imports without violating any provisions of the bilaterals which are in effect. This will surely occur if tariffs are cut.

Historical data show that textile and apparel imports increased substantially immediately after the Kennedy Round was concluded. Between 1967, the year in which the Kennedy Round negotiations were concluded, and 1972, the final year in which the tariff cuts were phased in, textile and apparel imports increased by 140 percent, from 2.59 to 6.24 billion square yard equivalents. This was a growth rate of 19.2 percent per annum. At the same time, U.S. production grew only 4.9 percent a year.

As far as we are aware, the present proposed tariff cuts appear to be larger than those of the Kennedy Round, a development which could result in a higher import growth rate than occurred as a result of the Kennedy Round.

IV. SERIOUS INJURY CAN BE PREVENTED ONLY THROUGH LEGISLATION

We have no illusions as to the debilitating effect of tariff cuts. Together with the Amalgamated Clothing and Textile Workers Union we submitted to the Executive Branch the results of an econometric analysis of the employment effects of a 60 percent tariff cut on only thirteen specific men's and boy's apparel items, including certain suits, sport coats, trousers, and shirts. The results indicated that we would stand to lose over 14,000 jobs and over 24 million man-hours as a result of tariff cuts on these thirteen items alone. Other studies by the Brookings Institution and Data Resources, Inc. indicate far greater job losses in the entire textile and apparel industry would result from substantial tariff cuts.

Despite our best efforts, the Executive Branch has not been persuaded to exempt the products of the textile and apparel industry from tariff cuts in Geneva. Only because our import relief—the MFA—is based on Section 204 of the Agricultural Act of 1956, and not based on Section 127(b) of the Trade Act of 1974, are we fully exposed to damaging tariff cuts. If these tariff cuts are seen by the Executive Branch as relatively benign for our industry, then why does this argument not apply to other industries receiving similar or even less comprehensive relief pursuant to the Trade Act of 1974?

This inequity stands in direct opposition to the recognition by Congress of the import sensitivity of our industry, which led to the exemption of textiles and apparel from duty-free GSP treatment.

Our industry has borne an inordinate burden of import increases in the past. Nevertheless, our industry is being offered virtually as the major U.S. sacrifice to international trade in the current MTN. We feel that our firms and workers deserve more than this, and we urge you to act favorably and expeditiously on H.R. 10853.

Mr. HOLLAND. The next listed witness is Earl Rauen and Paul Schulz.

STATEMENT OF EARL S. RAUEN, PRESIDENT, AND PAUL SCHULZ, EXECUTIVE DIRECTOR, WORK GLOVE MANUFACTURERS ASSOCIATION

Mr. RAUEN. I am Earl Rauen, president and chief operating officer of the Indianapolis Glove Co. I am also president of the Work Glove Manufacturers Association, a trade association whose members account for the bulk of the domestic output of cotton work gloves, an industry whose very survival is at stake if the U.S. duty on imports of this product is reduced, as we believe is in the offing at the Multilateral Trade Negotiations in Geneva.

We are seriously concerned that the United States offers to cut textile and apparel tariffs threaten to undermine irreparably the fragile safeguards which now exist through the mechanism of the multifiber arrangement and the 18 separate bilateral agreements negotiated by the United States with supplying countries.

U.S. trade negotiators have rationalized to our industries that because of the existence of these bilaterals any reduction in textile tariffs could take place without damaging increased import impact, and that tariff cuts for textile and apparel items could convey benefits in expanding opportunities for U.S. exports of such items.

Such rationalizations are both misleading and dangerous. Multilateral tariff reductions in the textile and apparel area will not compensate sufficiently for our higher labor and material costs to enable U.S. exports to be competitive in world markets against the low-wage, low-cost and frequently subsidized exports in developing countries. Moreover, due to apparent poor enforcement, the MFA and bilaterals certainly have not prevented damaging import growth at the expense of domestic output and jobs.

The year 1977 produced a record textile/apparel trade deficit of $3.4 billion. The deficit was $386 million in the first 4 months of 1977, and is $1.3 billion for the same period this year.

The foregoing comments have direct relevance to the growing adverse economic condition of the cotton workglove industry. Cotton work gloves, although covered under the MFA and bilateral agreements, are being supplied to our marketplace in ever-increasing quantities by foreign sources. Cutting the tariffs on these could constitute another cruel rebuff by the executive branch for this industry, which has repeatedly sought to attain a small measure of import relief as provided by the Congress under the safeguard provisions of the Trade Act of 1974.

The import penetration of the cotton work glove market has been frightening to watch the past few years. The data furnished in the table attached to my full statement shows that, despite bilaterals, total imports of cotton work gloves between 1970 and 1977 increased by 291 percent by quantity, while domestic shipments decreased 12.4 percent.

We have had some conjecture today about using the year 1972 as some sort of base period. In 1972 the overall import penetration rate of cotton work gloves was 6.3 percent. In 1977, it reached over 32 percent. In the first quarter of 1978, the penetration rate is 63.5 percent. We cannot see the tariff cuts will help us reverse that situation.

The import cotton glove competition is strictly price competition, because this industry is heavily labor intensive. The Bureau of Labor Statistics show that in 1976 production workers in the United States apparel industry had average hourly earnings of $4.13, including benefits, by comparison with 37 to 40 cents in Korea, 47 to 48 cents in Taiwan, and 70 to 80 cents in Hong Kong. With wages and fringes what they are in the United States, the domestic manufacturer is at a decided disadvantage, and it is impossible to see that lower tariffs will help offset these glaring differentials in wages.

Particularly alarming is the recent emergence of the People's Republic of China as a heavy supplier of our product to the United States. To us, this is not a future threat. It is here, in the cotton work glove business. Within a very short time, the People's Republic of China came up from zero to take second place after Hong Kong as the leading foreign cotton work glove supplier. In fact, for the first 4 months of this year, imports from the People's Republic of China have increased 121 percent over the like period 1 year ago, and the quantities are 90 percent greater than those from Hong Kong, traditionally the leading cotton glove import supplier.

As we know, the People's Republic of China is a completely uncontrolled supplier, so the MFA and bilaterals in this instance provide us no relief whatsoever. Coupled with the devastating effects of Red Chinese import increases, cutting tariffs for our traditional trading partners would just further compound our problems.

The economic outlook for our firms and workers in the cotton work glove business is already bleak by virtue of import price competition. Let us not further worsen that outlook by giving foreign suppliers an even greater competitive advantage in our market by MTN tariff cuts. In the absence of measures to safeguard domestic industry against such unfair competition, there can only be one outcome: More plant shutdowns, job losses, and the eventual demise of the domestic cotton work glove industry. We urge the adoption of H.R. 10853.

[The prepared statement follows:]

STATEMENT OF EARL S. RAUEN, PRESIDENT, WORK GLOVE MANUFACTURERS ASSOCIATION

I am Earl S. Rauen, President and Chief Operating Officer of Indianapolis Glove Company, Inc. I am also the President of the Work Glove Manufacturers Association, a trade association whose members account for the great bulk of the domestic output of cotton work gloves—an industry whose very survival is at stake if the U.S. duty on imports of this product is reduced as we believe may be in the offing at the multilateral trade negotiations at Geneva.

MTN TARIFF CUTS WOULD UNDERMINE TEXTILES/APPAREL IMPORT SAFEGUARD MECHANISM

We, as one segment of the thousands of firms and almost 2½ million workers whose economic well-being depends on the viability of the textile and apparel sector in the United States, are seriously concerned that the U.S. offers to cut textile and apparel tariffs, if carried out, threaten to undermine irreparably the essentially fragile safeguard which now exists against disruptive import surges through the mechanism of the Multifiber Arrangement (MFA) and the 18 separate bilateral agreements negotiated by the United States with supplying countries.

Our trade negotiators indeed have rationalized to our industries that, because of the existence of these special arrangements with regard to the international trade in textiles and apparel, any reduction in textile tariffs could take place without damaging increased import impact. Moreover, they suggest to the contrary that tariff cuts for textile and apparel items could convey benefits in expanding opportunities for U.S. exports of such items to third country markets.

Such rationalizations are both misleading and false. Multilateral tariff reductions in the textile and apparel area will not compensate sufficiently for our higher labor and material costs to enable U.S. exports to be competitive in world markets against the low-wage, low-cost, and frequently subsidized exports of developing countries.

Moreover, it is indisputable that the MFA and bilaterals negotiated under the framework of the MFA have not prevented damaging import growth at the expense of domestic jobs and output. The MFA and bilaterals permit imports to enter the United States at an annual compounded rate of 6 percent or more. Domestic output has simply been unable to keep pace with that import growth level. The result is that 1977 produced the highest level of imports for apparel, and a record textile/apparel trade deficit of $3.1 billion.

COTTON WORK GLOVE INDUSTRY WOULD SUFFER NEW BLOW

The foregoing comments have direct relevance to the growing adverse economic situation in the cotton work glove industry. Our small industry produces an item of apparel which, though embraced under the MFA and the bilateral agreements thereunder, is being supplied in our marketplace in ever increasing quantities from foreign sources.

In proposing a cut in the tariff on cotton work gloves, our trade negotiators in Geneva would be oblivious to the fact that our industry has been fighting a valiant uphill battle against disruptive imports of cotton work gloves. Cutting the tariff on cotton work gloves would constitute yet another cruel rebuff at the hands of the Executive Branch for this industry, which has repeatedly sought to attain a measure of import relief under the safeguard provisions of the Trade Act of 1974.

In this regard, a section 201 (escape clause) petition to the International Trade Commission in 1975 covering all work gloves, including cotton work gloves, was rejected. When, in December of last year, the cotton work glove industry separately petitioned for import relief under another Trade Act provision, i.e., section 406, to counter the severe disruption of the cotton work glove market resulting from rapdily increasing imports from Communist China, at prices no U.S. supplier could compete with, that petition too was denied by the International Trade Commission.

A major factor in the ITC's rejection of the escape clause petition was a judgment by Commission members that other industrial sectors in work glove manufacturing seemed to be holding up better against imports than did cotton work gloves. It is therefore ironic that in the subsequent section 406 action, the Commission members appeared in agreement that cotton work gloves were being adversely affected by rising imports but, nonetheless, they could not agree that such adverse impact or injury could be specifically traced to rising imports from the People's Republic of China.

SPIRALLING IMPORT GROWTH BASED ON PRICE COMPETITION ALREADY THREATENS COTTON WORK GLOVE INDUSTRY

In recent years the most striking feature of the cotton work glove market has been the steady penetration of imports at the expense of domestic output. The fact is that domestic output has been unable to maintain even its proportionate share of total market growth. As the data given in the attached table show there has been at best stagnation for domestic output while imports have continued to capture a greater share of the market. Taking the two categories of cotton work gloves combined (woven and knit), total imports between 1970 and 1977 increased 291 percent by quantity while domestic shipments decreased by 12.4 percent. In this period, the overall import penetration rate almost quintupled, reaching over 32 percent in 1977.

The competition from imports at the expense of domestic output is not a response to quality or durability but primarily is due to price competition, which has moved increasingly against domestic manufacturers because the work glove industry is heavily labor-intensive. This places the United States manufacturer at a decided disadvantage in competition with other foreign low-wage production, particularly countries in the Far East.

In the United States, Bureau of Census data show labor costs to be about 30 percent of the final costs of production, while raw material costs (i.e., cotton) account for about 55 percent of total industry shipments. The significance of heavy labor-intensiveness is that domestic cotton work glove production costs are substantially above foreign production costs in the major supplying countries. These are overwhelming the developing countries where wage rates are maintained at exceedingly low levels.

The wide disparity between U.S. and foreign wage rates has been substantiated by a study of the Office of Productivity and Technology of the Bureau of Labor Statistics. The study compared total hourly compensation of production workers with the apparel industries in 12 selected countries. According to the study, U.S. production workers in the apparel industry taking into account all fringe benefits, had average hourly earnings of $4.13 in 1976. By comparison, production workers in comparable industries in Korea earned $.37-.40; in Taiwan, $.47-.49; and in Hong Kong, $.70-.80.

In this connection, and particularly alarming to the domestic cotton work glove industry, has been the recent emergence as a heavy supplier to the United States market of the People's Republic of China. In just a few years time this country has come up from zero to take second place, after Hong Kong, as the leading foreign cotton work glove supplier. For such a centrally planned economy, production costs have absolutely no bearing in final export selling prices.

U.S. POLICY IN TARIFF CUT OFFER IS INCONSISTENT WITH U.S. POLICY TO SUPPORT MFA

I have already eluded to the fact that the two categories of cotton work gloves, (TSUSA 704.4010 and 704.4510) are encompassed within the restraint categories specified in the U.S. textile import program.

Such import ceilings are a help in preventing excessive import surges from controlled suppliers—but not from an uncontrolled supplier such as the People's Republic of China. The MFA and the bilaterals thus are an inadequate import relief mechanism. On the other hand, but for the existence of the restraint categories in the MFA and the bilateral agreements, import impact in the domestic cotton work glove industry doubtless would be far more serious.

It is therefore illogical and inconsistent for the U.S. Government to accord a measure of import relief to cotton work glove manufacturers through the MFA and bilateral agreement mechanism and then to have that relief vitiated by cutting the tariffs on such products. Furthermore it must be noted that while the MFA has a four-year limitation, tariff cuts have indefinite duration.

The U.S. textile import program which is based on the provisions of Section 204 of the Agricultural Act of 1956 as amended aims at the orderly marketing of textiles and apparel. The 18 bilateral agreements that have been negotiated under the MFA by the U.S.—aside from their being negotiated under a different statutory authority—are no less orderly marketing agreements than those that have been negotiated pursuant to the "escape clause" of the Trade Act of 1974.

It is significant that cotton work gloves, as an apparel item, is accorded statutory exclusion (Section 504(c) of the Trade Act) with respect to the granting of zero duty treatment to developing nations under the Generalized System of Preferences. By such statutory exclusion, Congress explicitly recognized the import sensitivity of cotton work gloves along with other textiles and apparel products.

For these reasons the Work Glove Manufacturers Association strongly supports H.R. 10853 and other bills identical to it which would amend Section 127(b) of the Trade Act of 1974 by including import relief pursuant to Section 204 of the Agricultural Act of 1956 as a basis for automatic exclusion from tariff cuts in the current round of trade negotiations. Such action is absolutely essential in order to prevent the demise of this small but strategic industry.

Cotton work gloves are manufactured for a specific purpose, namely to provide basic hand protection or product protection in industrial, commercial, or domestic activity. In a real sense, cotton work gloves are a vital ingredient of the U.S. industrial process and continuing access to supplies of cotton work gloves are therefore essential to the national economy. It follows therefore that a healthy domestic cotton work glove industry is directly in the national interest.

SURVIVAL OF COTTON WORK GLOVE INDUSTRY IS AT STAKE AT MTN's

Due directly to the impact of low wage/cost imports, there has been steady and continuous attrition of firms and workers in this industry. The 1967 Census of Manufacturers showed this industry to comprise 174 establishments, 110 of which had 20 or more employees. Today, there are only 50-60 firms left employing about 8,000 persons.

Though a relatively small industrial activity by comparison with other U.S. industries, the manufacture of cotton work gloves takes on added significance by virtue of several distinguishing characteristics:

It is an industry heavily labor-intensive and the bulk of its workers are women or of ethnic minority group origin. The average age of workers is relatively high.

Manufacturing is heavily concentrated in southern and midwestern states and the jobs created in rural areas are factors of considerable local economic significance.

Closing of a plant means in effect permanent unemployment for the displaced individuals. They are simply not people who can transfer to other industries, because of age, geography or other factors.

The economic outlook for our firms and workers is already bleak by virtue of import price competition. Let us not further worsen that outlook by giving foreign suppliers an even greater competitive advantage in our market by virtue of MTN tariff cuts. The current tariff of 25 percent ad valorem provides some help to our manufacturers in competing against foreign supply. Reducing this benefit means the demise of firms and of jobs in this industry. The survival of our industry is at stake in enactment of legislation like H.R. 10853 which would enable automatic exclusion from tariff cuts in the current round of trade negotiations for a product like cotton work gloves.

Let me say in closing that I believe in the benefits of expanding world trade to stimulate economic growth. But this must be a shared and reciprocal endeavor, not one fashioned to stimulate growth in one country at the expense of another. The

United States is relatively unique as one of the few remaining open markets in the world. Reducing tariffs for a product like cotton work gloves would have the effect of funneling still a greater volume of trade to this open market.

For products that are labor-intensive and come heavily from developing countries where producers and exporters benefit from extremely low wages and low production costs that are often enhanced by outright subsidies from foreign governments, the United States market is as much a magnet as is pollen to a bee. In the absence of measures to safeguard domestic industry against such unfair import competition, there can be only one outcome; plant shutdowns, job losses, and the eventual demise of the domestic industry.

We urge the adoption of H.R. 10853.

DOMESTIC SHIPMENTS AND IMPORTS OF COTTON WORK GLOVES

(in 1,000 dozen pairs)

	Woven (TSUSA 704.4010)				Knit (TSUSA 704.4510)				Total Woven and Knit			
	Domestic Shipments	Imports	Imports as % of Domestic Shipments	Imports as a % of Total	Domestic Shipments	Imports	Imports as % of Domestic Shipments	Imports as a % of Total	Domestic Shipments	Imports	Imports as % of Domestic Shipments	Imports as a % of Total
1970	13,082	1,421	10.9	8.8	9,158	195	2.1	2.1	22,240	1,616	7.3	6.8
1971	13,049	1,025	7.9	7.3	9,101	192	2.1	2.1	22,150	1,217	5.5	5.2
1972	13,883	1,249	9.0	8.3	9,650	233	2.4	2.4	23,533	1,482	6.3	5.9
1973	14,009	1,690	12.1	10.8	10,874	802	7.4	6.9	24,883	2,492	10.1	9.1
1974	13,490	2,742	20.3	16.9	11,096	1,189	10.7	9.7	24,586	3,931	16.0	7.0
1975	10,003	1,672	16.7	14.3	8,473	837	9.9	9.0	18,476	2,509	13.6	12.0
1976	10,548	3,114	29.5	22.8	8,441	1,845	21.9	17.9	18,989	4,959	26.2	20.7
1977	9,794 E/	3,437	35.1	26.0	9,694 E/	2,888	29.8	22.6	19,488 E/	6,325	32.5	24.5
1977 (Jan.-March)	1,602 E/	955	59.6	37.4	1,489 E/	648	43.5	30.3	3,091 E/	1,603	51.9	34.2
1978 (Jan.-March)	1,721 E/	1,246	72.4	42.0	1,720 E/	938	54.5	35.3	3,441 E/	2,184	63.5	38.8

E/ Based on WGMA survey of domestic producers representing approximately 60 percent of domestic shipments and adjusted to reflect the national total.

Source: U.S. Department of Commerce data

Mr. VANIK. Thank you.

Mr. SMALL. Chairman Vanik, may I have one second to correct an omission. The American Yarn Spinners Association has submitted a written statement in lieu of oral testimony, and that statement was to be included in the record.

Mr. VANIK. Without objection, the statement will be included at this point in the record.

[The following was submitted for the record:]

STATEMENT OF THE AMERICAN YARN SPINNERS ASSOCIATION, INC.

This statement is submitted on behalf of the American Yarn Spinners Association, Inc. and it's three affiliate organizations. the Association of Synthetic Yarn Manufacturers, Inc., The Carpet Yarn Association, Inc., and the Durene Association of America. The combined membership of these organizations includes some 200 corporations, with manufacturing operations in twenty states. The American Yarn Spinners Association is the central trade association of the sales yarn segment of the textile industry and represents approximately 90 per cent of U.S. sales yarn production.

The market for sales yarn is highly sensitive to imports and extends far beyond yarn alone. While imports of yarn result in direct displacement of domestic sales yarn production, it is important to recognize that imported textile and apparel products beyond the yarn stage result in displacement to the same degree that yarn would have been consumed had these products been produced domestically. Consequently, the impact of imports is felt in the order books of the domestic yarn producer, whether the imported article is in the form of yarn, fabric, apparel or other made-up goods.

While the market for sales yarn covers the entire spectrum of textile products, the major end-use categories in terms of pounds consumed are machine knitting and carpets & rugs. According to the Bureau of Census, spun and textured filament yarn produced for sale amounted to 3.1 billion pounds in 1976, or 40 percent of total U.S. yarn production.

Of total cotton system spun yarn consumed in machine knitting, 75.2 percent was supplied by the sales yarn sector in 1976. The percentage is even higher at 81.1 percent for textured filament yarns. These statistics point out the importance of a viable machine knitting sector to the sales yarn industry.

The machine knitting and carpet and rug industries developed as relatively small, non-integrated, style oriented entities requiring a much greater variety of yarns than could be efficiently produced internally. The sales yarn industry developed as a separate sector of the textile industry to supply this need.

Over the past ten years, the percentage of production workers in relation to total employment in yarn production remained constant at around 91 percent. Because it is a labor intensive industry, yarn production serves as an excellent entry industry for persons with low industrial skills, minorities, and women. Roughly half of the employment in the sales yarn sector is women, according to the Bureau of Labor Statistics. The industry is concentrated in the rural areas of the Southeast and has contributed substantially to the economic well-being of these communities as they move from an agricultural to an industrial economy.

The sales yarn segment is composed mostly of small to medium size establishments, with roughly 75 percent having less than 250 employees, as reported by the 1972 Census of Manufacturers. However, significant consolidation has occurred since 1972. For example, by the end of 1975, the number of plants in SIC Code 2281, alone, declined to 359, down from 426 in 1972. Ownership of the 359 plants was controlled by 253 companies, or a ratio of 1.4 plants per firm, illustrating that the segment is composed generally of small to medium size firms with one or two manufacturing plants.

In summary, the sales yarn segment is composed of relatively small firms with a high degree of product specialization. Employment in this sector is an important factor to the rural communities in which the plants are located. Any displacement of jobs brought about by further import penetration will result in serious social and economic problems for these communities.

EXPORT POTENTIAL

Much has been said in recent weeks about the need to increase exports of U.S.-made textiles, and the current trade deficit certainly underscores the importance of this objective. Our organization certainly subscribes to this objective in principle, but, as a practical matter, experience has shown that export opportunities are limited for the spun and textured filament sales yarn segment.

During the period 1973—77, total spun yarn exports ranged between a high of 51.8 million pounds in 1973 to a low of 32.4 million pounds in 1975. Spun yarn exports in 1976 and 1977 were level at around 37 million pounds in both years.

There appeared to be a promising growth trend in noncellulosic manmade fiber spun yarn exports, which increased from 5.5 million pounds in 1972 to 26.7 million in 1974. However, these hopes diminished with exports declining to 15.7 million pounds in 1975 and leveling off at around 20 million pounds in 1976 and 1977.

Further analysis of the spun yarn export data shows that the number of foreign markets decreased over the last couple years as capacity increased in the developing countries. Canada remains by far the largest export market for U.S. spun yarn, and accounted for around 45 percent of the total during 1976 and 1977.

With respect to the U.S. potential as a factor in the export market, the following must be considered:

1. U.S. price competitiveness in relation to the price structure of yarn producers in the importing country and other competing exporting countries, particularly the developing and non-market economy countries.

2. Transportation, insurance, duty, and other costs of delivering yarn to the importer's plant or warehouse.

3. Availability of comparable yarn in the importing country and/or other exporting countries.

All three factors traditionally work to the disadvantage of U.S. yarn producers, particularly in the commodity type yarns. Therefore, U.S. firms must rely on superior quality, specialty yarns, and yarn unavailable or in short supply as a means of competing in export markets. Unfortunately, this does not present a market opportunity of sufficient magnitude to expect significant growth in spun yarn exports.

A case in point is Japan, which purchased 7.4 million pounds of U.S. spun yarn in 1973, a year when fear of shortages resulted in inventory building. Exports to Japan in the four following years declined to a negligible level. In contrast, to Japan's exports of noncellulosic spun yarns to the U.S. in 1977 topped 22 million pounds, and in the first four months of 1978 were running at an annual rate of 35 million pounds.

Another example is Indonesia, whose woven fabric capacity in the late 1960's exceeded yarn production. Consequently, substantial quantities of cotton yarn were exported to Indonesia to balance production. Within 2 or 3 years, yarn capacity was increased to achieved balance with fabric production and yarn exports to Indonesia diminished accordingly.

The same pattern traditionally repeats itself as developing countries move toward a self-sufficient fiber/textile/apparel complex. Exporting countries naturally seek to maximize the labor content of the products they ship. At the same time, they seek to minimize the dollars being spent for the purchase of fibers. yarns, or fabrics outside their national boundaries. These two objectives make a self-sufficient fiber/textile/apparel complex attractive to maturing countries, and particularly those with a surplus of low-cost labor.

The development stage may begin at either the top or the bottom, depending on the availability of staple fiber. Korea, for instance, concentrated initially on apparel production and integrated backwards as did Taiwan. More recently, however, both countries have moved rapidly toward self-sufficiency in fiber, yarn, and fabric. Egypt, with its ample supply of cotton, developed a yarn and fabric base for export and is now moving toward developing it's apparel industry.

Textured filament yarn exports peaked in 1974, and have remained fairly stable since, but at slightly lower levels than the peak year. Because of worldwide overcapacity, brought about by rapidly increasing technology in recent years, these yarns face the same basic problems in the export market as do spun yarns. The seriousness of the overcapacity problem became clearly evident with the formation of cartels in Japan and Europe, aimed at restoring order to the market.

In general, the potential for increasing U.S. yarn exports is cloudy at best and not likely to improve in view of the foreseeable supply/demand relationship worldwide. Even if better access to the developed countries were achieved, there is still the problem of competing in developed country markets with the developing countries who are also seeking to increase their exports. This is particularly true in the case of spun yarns, which are more labor intensive than textured filament yarns.

EFFECT OF TOTAL IMPORTS ON SALES YARN PRODUCTION

In recent years, the sales yarn industry has become increasingly concerned over the displacement of sales yarn production by imports of textile products in the form of fabric, apparel, and other products advanced beyond the yarn stage. By definition, the sales yarn segment is composed of firms who produce yarn for sale to others who knit, weave, or otherwise process the yarn into fabric, apparel, and other textile products. Import displacement of those products produced by the customer for sales yarn causes a corresponding displacement of domestic sales yarn production.

The net effect of this secondary displacement of sales yarn production may be quantified by applying the ratio of sales yarn consumed by U.S. producers of fabric and apparel to imports of those same products. For instance, from the Bureau of Census' Annual Spun Yarn Survey, it was determined that in the U.S. market, more than 75 percent of the yarn consumed in knit products is supplied by the independent sales yarn segment, since knit goods producers generally do not have their own yarn production A much lower percentage of outside yarn is consumed by producers of woven goods, since they are generally integrated and have their own yarn production.

Using import data in pounds, provided by the Department of Commerce, the secondary displacement of sales yarn by imports of the finished product can be determined by applying the appropriate ratio to imports of that product. The resulting number gives pounds of sales yarn that would have been consumed in the product had it been produced domestically. The weakness in this approach is that it does not account for the processing loss which occurs in fabric production or at the cutter level. The net effect of these exclusions is an understatement of the sales yarn displacement for apparel products of 15 to 20 percent. Nonetheless, the analysis is appropriate to demonstrate the effect finished goods imports have on others in the distribution chain, such as producers of sales yarn.

In 1976, roughly 85 percent of cotton textile imports were of woven fabric construction, with the remainder spread between yarn, products of knit fabric construction and other. That portion of cotton textile imports which can be directly attributed to the sales yarn segment represented 17 percent of U.S. cotton sales yarn production.

Imports of man-made fiber textile products are a particularly serious problem for the sales yarn segment for two reasons. First, there is a heavier concentration of imports in knit products, on which the sales yarn segment is highly dependent. For example, 65 percent of total man-made fiber apparel imports are of knit fabric construction. Secondly, imports of man-made knit products, particularly apparel, have increased significantly in recent years. Imports of man-made fiber textile products identified with the sales yarn segment accounted for 18.2 percent of domestic man-made sales yarn production in 1976.

The wool situation illustrates the extreme of what occurs when timely action is not taken to curb imports. Between 1973 and 1976, the domestic wool sales yarn market declined by 54 percent. The import penetration ratio attributed to wool sales yarn increased from 47.1 percent to 111.0 percent during this same period.

In summary, this analysis points out the necessity for looking beyond total import data to the disruption caused to the various segments of the industry. More specifically, it indicates the need for import product mix analysis to determine the combined injury on the total chain of distribution. As currently written, there are no provisions in the Trade Act of 1974, or the Multi Fiber Arrangement, to deal with secondary displacement. To the producer of sales yarn, this is an alarming oversight. Any reduction in textile tariffs will further compound the problem, since for every knit fabric or apparel manufacturer who closes his doors because of injury from excessive imports, a sales yarn customer will be lost.

VIEWS OF TARIFF CONCESSIONS

The sales yarn producing industry is opposed to further U.S. tariff concessions on yarn, other textile mill products, or apparel and feels strongly that sound reason exists for this position, First of all, U.S. tariffs on textile manufacturers are sufficiently low so as not to be a barrier to imports. This is borne out by the import statistics themselves.

IMPORTS OF COTTON, WOOL, AND MAN-MADE FIBER TEXTILES—1967-1976

[In million square yards]

Year	Yarns	Fabrics	Apparel	Made-up miscellaneous	Total
1967	463.0	925.5	877.7	319.7	2,585.8
1968 [1]	726.0	1,031.6	1,152.8	400.5	3,310.9
1969	533.6	1,140.8	1,520.0	431.5	3,625.9
1970	1,126.0	1,180.7	1,694.2	465.1	4,466.0
1971	1,876.4	1,553.5	2,097.6	423.8	5,951.4
1972 [2]	1,942.1	1,683.7	2,225.9	384.4	6,236.2
1973	1,215.3	1,461.5	2,089.8	358.0	5,124.7
1974	925.6	1,233.2	1,936.8	314.6	4,410.2
1975	555.3	967.3	2,076.8	228.1	3,827.5
1976	821.3	1,413.4	2,577.7	326.0	5,138.4
1977	1,058.3	1,157.0	2,621.3	323.5	5,160.1

[1] First stage tariff reduction from Kennedy Round effective Jan. 1, 1968.
[2] Final stage tariff reduction from Kennedy Round effective Jan. 1, 1972.

Tariff concessions made during the Kennedy Round reduced tariffs over a five year period and are considered by the sales yarn industry to have been more than adequate. Unlike many of our trading partners, the United States did not replace the tariff reductions with NTB's. The net effect of these reductions proved to be more advantageous to our trading partners than to the United States in 1968, the first year of the Kennedy Round Tariff reductions, textile imports increased 28 percent. By the end of 1972, the last year of the reductions, textile imports increased over the five year period by nearly 150 percent. Following the recession of 1974-75, imports again flooded the U.S. market, and in the case of apparel reached an all-time record high in both 1976 an 1977. One can only conclude from the record that current tariffs do not prohibit access to the U.S. market.

Secondly, the sheer size and relative ease of access to the U.S. market is a constant attraction to countries seeking to expand their export markets, and/or earn foreign currency. Because of their flexibility in adjusting market strategy and the reluctancy of the United States to take corrective action, these countries can move in and out of the U.S. market at will without fear of retaliation, regardless of the injury caused to the domestic industry.

Finally, it would be unrealistic to further reduce textile tariffs at a time when the domestic industry faces massive non-productive expenditures to meet EPA, OSHA, CPSC and other costly government regulations. Neither does it make sense to permit further erosion of jobs which are so badly needed in the domestic economy.

Therefore, exemption of textiles and apparel from tariff reductions in the Tokyo Round, as propsoed by the Holland-Broyhill Bill (H.R. 10853) is absolutely essential.

VIEWS OF COUNTERVAILING DUTY

In a May, 1978, Department of Commerce bulletin, "Multilateral Trade Negotiating News," it was pointed out that the United States was willing to compromise it's countervailing duty statute in order to obtain agreement on international rules on the use of subsidies and countervailing duties. The bulletin states:

"A consensus was reached on the basic outlines of subsidy and countervailing duty rules at a meeting held by representatives of the principal developed countries in early April (1978). In broad terms, countries adhering to the rules will seek to avoid causing prejudice to the interest of others by use of subsidies. Countries affected by most export subsidy practices will not impose countervailing duties *except when subsidized imports cause or threaten to cause injury to domestic producers.*

In essence, this compromise guts the current countervailing duty statute by requiring an injury test. The establishment of injury is subjective and generally too closely related to international political considerations to effectively insure the imposition of countervailing duties against subsidized exports. The Congress wisely recognized this in passage of the Trade Act of 1974 by setting a time limit on the determination that subsidies exist and by limiting the waiver authority of the Secretary of the Treasury to four years from the date of enactment of the Act (Title III, Section 331).

Our organization opposes the addition of an injury test to the countervailing duty statute on the grounds that an important element of control will be transferred from the Congress to administrative decision makers. If it is the intent to eliminate subsidies in international trade, no exporting country should object to the imposition of a countervailing duty when the spirit of the MTN has been violated.

Furthermore, we recommend that the time limit provided for the Secretary of the Treasury to complete the preliminary investigation be reduced from six months to three months from the date a petition is received. Where the determination results in a positive finding of subsidy, the countervailing duty should be immediately imposed and continue in effect until such time as the subsidy is eliminated.

VIEWS ON GOVERNMENT PROCUREMENT

The maintenance of domestic production of essential military clothing is absolutely necessary to our national security. In the area of government procurement, it is important that military textile and apparel purchases not be bargained away in the MTN. Our association is aware of at least one foreign supplier who is already preparing to enter the U.S. military uniform market, as will be noted from the attached correspondence.

We are opposed to risking the loss of domestic textile and apparel production essential to our national security by relaxing current rules on purchases of textile and apparel by the military.

VIEWS ON NONTARIFF MEASURES

The institution of nontariff measures by our trading partners has traditionally been limited only by the imagination of the foreign bureaucrats. As soon as one such barrier to trade is negotiated away, another is instituted to take its place. While this was supposed to be a major element of the Kennedy Round Negotiations, the degree of success was negligible. We submit that the Tokyo Round will prove to be equally unsuccessful in this area. The EEC, Japan and most other nations simply ignore the rules when they have a domestic import problem.

Therefore, our association is unable to place much confidence in the theory that export opportunities will increase significantly for our products through elimination of nontariff barriers, particularly when the price to be paid is tariff reductions.

SUMMARY AND CONCLUSION

In conclusion, the sales yarn segment can see no advantages to be gained in the way of increased opportunity to improve its position in the export market of sufficient value to justify the inevitable loss which would result from reduction in tariffs on yarn or other textile an apparel products. Furthermore, there is no evidence that current U.S. tariffs serve as a deterrent to countries wishing to export textile and apparel products to the United States. The U.S. trade balance deficit in these products has increased in every year since 1966, except two, and through April, 1978, was running at an annual rate of $3.2 billion.

We commend the action of Congressmen Ken Holland (D—S.C.) and James Broyhill (R—N.C.) in introducing HR-10853, as well as the more than 170 other members of the House who are co-sponsoring this legislation. It is encouraging to see the wide geographic distribution of support for this bill from both sides of the aisle. We sincerely hope it will result in an action which will preserve the jobs and viability of the U.S. fiber/yarn/fabric/apparel complex.

Respectfully submitted,

WELSFORD F. BISHOPRIC,
President,
American Yarn Spinners Association, Inc.

TABLE 1.—UNITED STATES IMPORTS, EXPORTS AND BALANCE OF TRADE OF TEXTILE, SEMI-MANUFACTURERS, MANUFACTURES AND APPAREL [1]—CALENDAR YEARS 1967–1977 AND JANUARY–APRIL 1977 AND 1978

[In millions of dolllars]

Year	Exports	Imports	Trade balance
1967	628.0	1,399.1	−771.1
1968	631.9	1,735.1	−1,103.2
1969	713.3	2,019.7	−1,306.4
1970	732.7	2,274.7	−1,542.0
1971	771.2	2,760.5	−1,989.3
1972	942.6	3,215.0	−2,272.4
1973	1,392.8	3,496.6	−2,103.8
1974	2,036.5	3,692.5	−1,656.0
1975	1,873.3	3,530.0	−1,656.7
1976	2,289.4	4,882.8	−2,593.4
1977	2,381.4	5,459.5	−3,078.1
January–April 1977	821.0	1,553.3	−732.3
January–April 1978	744.6	[2] 1,820.6	[2] −1,076.0

[1] Linoleum, apparel of rubber or leather and clothing donated for charity are excluded. Beginning in 1968, glass fiber yarns, but not glass fibers, are included. In addition, textile exports may include some monofilaments.

[2] Preliminary

MIZUHO BOEKI LTD.,
Fukiai-Ku, Kobe 651, Japan.

DEAR SIRS: In Korea, we have one of the largest Sewing Factories in the Orient, with close to 1,600 workers, making everything from yarn to weaving the cloth and sewing all kinds of clothings.

In this Factory, we are making Shirts for the Army, Overalls for gasoline-stand attendants and factory-hands in machinery making companies, Working Clothes for farmers and construction workers, also Apparel for mountaineers, Winter-clothes, Canvas and made-up goods made of canvas, etc., not only for Japan but for all other countries in the world.

For your information, we have given technical guidance for the past twenty years to bring this Factory to its present size and efficiency and up to now, we have entrusted Japanese exporters to ship our products abroad, but as their exploitation made things difficult, we have decided to export directly by ourselves.

We are also producing Safety Belts of all kinds, Ships' Hatch Covers, Wire Nettings of all size and mesh, Nettings made of yarn and also Helmets. Aside from the above, we are also handling special type of Ships for the Navy and Maritime Safety Agency. We are also making Machines and Tools required by the Army, Navy and Air Force of different countries. Currently we are supplying merchandise to the Defense Department, Government Offices, Railway Companies, Hospitals, Steel Mills, Shipyards. Automobile and other large factories as well as Schools etc.

Moreover, upon request, we will be happy to send not only our catalogues but the actual samples as well which we feel sure you will realize are more competitive in price than any others.

Furthermore, if you will send us your counter-samples, we are prepared to match the same in quality and to meet your requirements as regard the price. Of course, in this case, the quantity must be sufficient for us to undertake the work. In any case, we wish to assure you that we can make any kind of sewn-up article to your specification.

As changes in manufacturing design and technique call for very secial skill, they cannot be done in Korea and we are doing such work in Japan. However, please note that our sewing work is highly reputed everywhere as being excellent and equal to the goods made in Japan, if not better.

Because of the fine quality and competitive prices, large orders placed in Korea are mostly coming to our company to be manufactured in our Factory.

As to our commercial standing kindly make inquiries to your Embassy in Japan who will no doubt be able to furnish you with all the necessary information.

If you tie up with us, we feel sure we can mutually enjoy profitable business for a long time to come. Meanwhile, we hope to hear favorably from you very soon.

Yours faithfully,

M. KONDO, *Manager.*

P.S.—As foreign traders, our object for splendid development is to do business eternally with partners possessing fine knowledge, capability and practicability of all goods for the future. We hope you are of the same spirit. Please reply.


MIZUHO BOEKI LIMITED
FUYO BUILDING 1 12 HACHIMANDORI 4-CHOME
FUKIAI-KU KOBE 651 JAPAN
TELEX NO.
J78704 MIZKOB
CABLE ADDRESS
"KOBEMIZUHO" KOBE
TELEPHONE
232-4010,
4044, 4086
ICER'S
IFORMS
Office uniform (class A), 100% wool elastique
Ceremonial uniform for General, 100% wool elastique
Army officer uniform, polyester/wool
Navy officer uniform, Polyester/wool
Air Force officer uniform, polyester/wool
'S & HELMETS
Beret
Winter Cap
Service Cap U.S. Type
Camouflage Hat
Sporting Cap
,B,C Fatigue Cap
,B Service Cap for General
B Service Cap for Officer
Service Cap for W.A.G.
Balistic Helmet
Liner Helmet
Helmet for Armoured Troops
DM 606A
DM 202C
U.S. Army Dress Uniform
DM 20
DM 607 A
DM 601
DM 202B
DM 202D
DM 608C
DM 610
DM 609A
DM 605
DM 607 B
DM 602
DM 202A
DM 604
DM 606C

Mr. VANIK. The next witness is Mr. Robert J. Keefe, executive director of the Cordage Institute.

STATEMENT OF ROBERT J. KEEFE, EXECUTIVE DIRECTOR, CORDAGE INSTITUTE

Mr. KEEFE. My name is Bob Keefe, executive director of the Cordage Institute. I am here today to voice our support of H.R. 10853.

The Cordage Institute is a nonprofit association of the principal twine and rope manufacturers of the United States, who produce approximately 85 percent of the total cordage produced in the United States, and employing about 5,000 people in 16 States. The basic objective of our industry and institute is to maintain a viable cordage industry to meet the Nation's cordage requirements, agricultural, industrial, maritime, and military. We have a concern for tariff cuts, based on history. Since 1950, the U.S. cordage industry has gone through a period in which imports of natural fiber rope and twine, have gradually overtaken the U.S. market, and have virtually destroyed the U.S. cordage manufacturing capability in natural fiber, rope, and twine.

In 1950 there were 22 companies producing natural fiber rope from raw fiber, with approximately 95 percent of the U.S. market. Today, there is one company producing such rope from raw fiber.

A similar situation has developed over the years in the natural fiber farm and industrial twine market. In 1950 there were 15 companies producing hard fiber farm twine used by the American farmers. In 1951 the duty was removed from imported sisal farm twine. Today there is only one manufacturer still producing such twine in the United States. The U.S. manufacturers' share of that market has dropped from 85 percent in 1950 to 8 percent in 1976. We are greatly concerned lest history repeat itself in the synthetic fiber cordage business.

We are now facing an ever-increasing level of imports of synthetic cordage, which if allowed to continue, will result in a general weakening of the industry, and a repeat of the demise of the natural fiber cordage industry. The American cordage manufacturers face much greater Government regulations and workplace safety regulations under OSHA. Toxic substance control, product liability, and energy legislation are adding to our competitive burdens, as are air, noise and water pollution abatement. While the cordage industry recognizes and supports the needs for the quality-of-life goals, we are facing these added costs to the detriment of our competitive situation. We pray that this subcommittee, and ultimately the Congress, will be responsive to the changing needs and realities of the trading situation.

It is for these reasons that we join today with the textile industry and labor to urge your prompt and favorable consideration of H.R. 10583. Thank you, sir.

[The prepared statement follows:]

STATEMENT OF ROBERT J. KEEFE, EXECUTIVE DIRECTOR, CORDAGE INSTITUTE

My name is Bob Keefe and I am executive director of the Cordage Institute located here in Washington. I am here today to voice our support of legislation introduced by Congressman Holland and others which provides exemption to textile and textile products from tariff reductions in the current "Tokyo round" talks underway in Geneva.

The Cordage Institute is a nonprofit association of principal twine and rope manufacturers of the United States who produce approximately 85 percent of the total cordage produced in the United States employing about 5,000 people in 16 States. Sales for 1977 were 62.7 million pounds of rope and twine. A list of members is attached to our statement.

The Cordage Institute has by necessity maintained a philosophy on international trade that strongly encourages and supports fair trade—by necessity since natural fibers for rope are not grown in the United States but are imported as baled raw filter or yarn and processed into finished products. It is of vital interest to the Nation that we maintain a solid manufacturing base in the United States for the production of all types of rope and twine, both natural fiber and man-made fiber. The basic object of our institute is to retain a viable cordage industry to meet the Nation's cordage requirements—agricultural, industrial, maritime and military.

Since 19 0, the U.S. cordage industry has gone through a period in which imports of natural fiber rope and twine have gradually overtaken the U.S. market and have virtually destroyed the U.S. cordage manufacturing capability in natural fiber rope and twine. In 1950 there were 22 companies producing natural fiber rope from raw fiber with approximately 95 percent of the U.S. market. Today there is one company producing such rope from raw fiber. A similar situation has developed over the years in the natural fiber farm and industrial twine market. For example, in 1950 there were 15 companies producing hard fiber farm twine used by American farmers. In 1951, the duty was removed from imported sisal farm twine and today only one manufacturer still produces such twine in the United States. The U.S. manufacturers' share of that market has dropped from 85 percent in 1950 to 8 percent in 1976. Attachment A, B, and C are tables summarizing what has happened to U.S. natural fiber cordage production from 1950 to 1976.

We are greatly concerned lest such a history repeat itself in the synthetic cordage business.

During World War II, when the manila, and sisal, and other natural fibers for cordage were impossible to obtain, the American cordage industry pioneered the substitution of synthetic fiber for natural fiber. And so, for the first time in the history of the U.S. cordage industry, the oldest industry in the United States, the development of suitable man-made fibers for cordage products can eliminate total reliance on offshore sources for either raw materials or finished products. The direction of the industry is clearly one of greater and greater use of man-made fibers, for there the future of the domestic cordage industry lies.

We are now facing an ever-increasing level of imports of synthetic cordage which if allowed to continue will result in a general weakening of the industry and a repeat of the demise of the natural fiber cordage industry.

A look at imports of just one item of synthetic cordage—stranded rope from the Republic of Korea—would give anyone cause for alarm. In 1973, imports of this single item from Korea were 28,518 pounds. In 1977, the poundage had increased to 1,365,923 pounds, an increase of over 4600 percent. Korean imports of stranded synthetic rope, as a percentage of all such imports, have also been increasing rapidly—from 4.5 percent in 1973 to 66 percent in 1977 (see attachment D).

Raw material costs alone in the United States run close to the landed cost of polyprolene rope. Polyprolene resin is a basic petrochemical and our American petrochemical industry is the most efficient in the world. But in Korea, it is produced by a Government-owned plant and so the free market supply-demand relationships are averted.

We as an industry do not believe in protecting inefficiency and we look forward to continuing competition—as long as everyone is playing by the same rules. But today not everyone is playing by the same rules, and more importantly, the rules themselves are outdated.

American cordage manufacturers face much greater Government regulation. Workplace safety regulations under OSHA, toxic substance controls, product liability, and energy legislation are adding to our competitive burdens—as are air, noise, and water pollution abatement. While the cordage industry recognizes and supports the need for quality of life goals, we are facing these added costs to the detriment of our competitive position.

We pray that this subcommittee, and ultimately the Congress, will be responsive to the changing realities of trade.

If the import duty is reduced or eliminated on synthetic cordage, the American market will be flooded with imports, new domestic expansion will cease, and some present manufacturing capability will be abandoned. The result will be increased unemployment, increased outflow of dollars and increased reliance on foreign sources of supply. The virtual destruction of the natural fiber cordage industry will be repeated in the synthetic cordage industry.

CORDAGE INSTITUTE

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MEMBERS OF THE CORDAGE INSTITUTE

REGULAR MEMBERS

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240 Shore Drive
Hinsdale, Illinois 60521
(312) 654-3600

American Manufacturing Co., Inc.
P.O. Box 631
Honesdale, Pennsylvania 18431
(717) 253-5860

Lafayette Rope Division
P.O. Box 52125 - Oil Center
Lafayette, Louisiana 70505
(318) 837-9241

Artcraft Braid Company
39 Manton Avenue
Providence, Rhode Island 02909
(401) 831-9077

Blue Mountain Industries
Blue Mountain, Alabama 36201
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Cavnar-Johnson Cordage Co., Inc.
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Jackson Rope Company
Div. of Tubbs Cordage Company
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Lambeth Corporation
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New Bedford, Massachusetts 02740
(617) 999-2351

Nova Products, Inc.
P.O. Box 116
Carrollton, Georgia 30117
(404) 832-9086

Samson Ocean Systems, Inc.
99 High Street
Boston, Massachusetts 02110
(617) 426-6550

REGULAR MEMBERS continued

Sunshine Cordage Corporation
7250 N.W. 41st Street
Miami, Florida 33166
(305) 592-3750

Tubbs Cordage Company
P.O. Box 7986
San Francisco, California 94120
(415) 495-7155

Wall Industries, Inc.
Railroad Avenue
Beverly, New Jersey 08010
(609) 877-1800

Wellington Puritan Mills, Inc.
P.O. Box 244
Madison, Georgia 30650
(404) 342-1916

Yale Cordage, Inc.
Old Sparhawk Mill, Box 27
Yarmouth, Maine 04096
(207) 846-9048

SPECIAL MEMBERS

Canada Western Cordage Co., Ltd.
100-909 Beach Avenue
Vancouver, B.C., Canada V6Z 1E2
(604) 681-3154

Cordage Institute of Canada
1080 Beaver Hall Hill, Suite 1002
Montreal, Quebec, Canada H2Z 1T6
(514) 866-2081

Doon Twines, Limited
P.O. Box 158
Kitchener, Ontario, Canada N2G 3Y2
(519) 745-7391

Guelph Twines, Limited
50 Crimea Street, P.O. Box 125
Guelph, Ontario, Canada N1H 6J6
(519) 821-9140

Poli-Twine Corporation, Limited
180 Bethridge Road
Rexdale, Ontario, Canada M9W 1N3
(416) 745-9990

AFFILIATE MEMBER

Cordemex S.A. de C.V.
Apartado Postal 1
Cordemex, Yucatan, Mexico
2-01-00

NON-MEMBERS CONTRIBUTING STATISTICAL DATA

Badger Cordage Mills, Inc.
193 North Broadway
Milwaukee, Wisconsin 53202
(414) 271-2569

International Harvester Company
Agricultural/Industrial Equipment Div.
P.O. Box 15285
New Orleans, Louisiana 70115
(504) 899-5651

May 1978

Attachment A

ROPE
Hard Fiber
(Units in million lbs.)

Source	1950	1952	1954	1956	1958	1960	1962	1964	1966	1968	1970	1972	1974	1976
IMPORTS														
Philippine Republic	4.3	4.4	2.5	5.5	5.4	4.6	5.2	5.8	5.7	5.5	5.9	6.8	9.6	12.8
Portugal	*	*	*	*	*	.4	.4	1.2	1.8	1.8	3.0	2.4	.5	1.1
Mexico	1.3	2.5	2.1	2.5	3.0	3.5	3.3	4.3	6.1	6.8	5.8	10.3	10.8	7.1
Other	1.7	1.3	1.6	.9	1.9	1.4	1.5	1.7	2.5	3.5	3.7	2.8	.8	1.5
(A) Total Imports	7.3	8.2	6.2	8.9	10.3	9.9	10.4	13.0	16.1	17.6	18.4	22.3	21.7	22.5
U.S. PRODUCERS														
Commercial Sales	107.2	109.0	83.3	101.5	82.3	67.0	64.4	56.8	62.9	47.2	35.0	29.7	27.7	22.1
Prison Sales	1.0	.6	.6	.4	.3	.3	.3	.2	.2	.2	.2	.2	.2	.5
(B) Total U.S. Producers	108.2	109.6	83.9	101.9	82.6	67.3	64.7	57.0	63.1	47.4	35.2	29.9	27.9	22.5
Total U.S. Market (A + B)	115.5	117.8	90.1	110.8	92.9	77.2	75.1	70.0	79.2	65.0	53.6	52.2	49.6	45.1
%U.S. Market - Imports	6.3	7.0	6.9	8.0	11.1	12.8	13.8	18.6	20.3	27.0	34.3	42.7	43.8	49.9
% U.S. Market - U.S. Producers	93.7	93.0	93.1	92.0	88.9	87.2	86.2	81.4	79.7	73.0	65.7	57.3	56.2	50.1

*Included in "Other" or no imports that year.

CORDAGE INSTITUTE

Attachment B

AGRICULTURAL TWINE
Hard Fiber
(Units in million lbs.)

Source	1950	1952	1954	1956	1958	1960	1962	1964	1966	1968	1970	1972	1974	1975	1976
IMPORTS Canada	16.8	30.2	28.7	27.6	24.4	20.8	24.6	25.6	37.4	18.2	14.0	6.6	1.8	.6	.1
Mexico	13.9	39.5	63.5	78.0	109.8	103.7	134.1	102.0	73.8	54.7	65.6	83.2	79.5	30.7	63.2
Brazil	*	*	*	*	*	*	*	*	14.8	14.0	25.4	27.7	54.6	37.5	80.1
Netherlands	*	2.0	16.2	21.7	27.3	16.9	22.6	21.9	33.6	30.5	25.9	21.1	11.2	8.4	.5
Portugal	*	*	*	*	*	14.3	36.3	36.2	47.8	48.0	42.2	44.3	76.9	32.5	18.5
Tanzania	*	*	*	*	*	*	*	*	9.3	18.3	15.5	15.4	19.8	9.6	40.4
Other	1.3	6.1	19.5	40.0	63.6	50.6	59.7	47.8	47.6	70.0	56.4	80.2	87.0	56.7	22.6
(A) Total Imports	32.0	77.8	127.9	167.3	225.1	206.3	277.3	233.5	264.3	253.7	245.0	278.5	330.8	176.0	225.4
U.S. Producers Commercial Sales	161.5	144.0	135.7	91.3	76.0	56.2	66.3	63.4	70.4	39.8	27.2	20.0	35.1	16.9	20.0
Prison Sales	21.2	18.0	16.9	16.0	14.2	16.0	15.2	11.2	14.0	7.6	4.0	1.3	0	0	0
(B) Total U.S. Producers	182.7	162.0	152.6	107.3	90.2	72.2	81.5	74.6	84.4	47.4	31.2	21.3	35.1	16.9	20.0
Total U.S. Market (A + B)	214.7	239.8	280.5	274.6	315.3	278.5	358.8	308.1	348.7	301.1	276.2	299.8	365.9	192.9	245.4
% U.S. Market Imports	14.9	32.5	45.6	61.0	71.5	74.0	77.2	75.8	75.8	84.2	88.7	92.9	90.4	91.2	91.9
% U.S. Market U.S. Producers	85.1	67.5	54.4	39.0	28.5	26.0	22.8	24.2	24.2	15.8	11.3	7.1	9.6	8.8	8.1

* Included in "Other"

CORDAGE INSTITUTE

Attachment C

INDUSTRIAL TWINE
Hard Fiber
(Units in million lbs.)

Source	1950	1952	1954	1956	1958	1960	1962	1964	1966	1968	1970	1972	1974	1976
IMPORTS														
Mexico	26.9	16.9	24.9	27.8	29.0	30.6	31.3	22.1	18.7	18.0	14.6	16.7	20.7	12.2
Canada	4.1	*	*	*	*	*	*	*	*	*	*	*	*	*
Portugal	*	*	*	*	2.2	5.9	10.1	11.2	18.2	13.8	12.7	10.7	2.7	3.5
Other	2.0	.8	1.9	3.2	4.6	3.3	3.1	1.6	1.8	1.8	1.0	1.2	1.1	.5
(A) Total Imports	33.0	17.7	26.8	31.0	35.8	39.8	44.5	34.9	38.7	33.6	28.3	28.6	24.5	16.2
U.S. PRODUCERS														
Commercial Sales	35.0	18.2	20.3	22.5	18.3	16.8	16.8	15.0	7.3	3.4	2.6	2.3	2.3	1.6
Prison Sales	.8	.4	.5	.6	.7	.7	.8	.8	1.0	1.0	.8	.8	.6	.2
(B) Total U.S. Producers	35.8	18.6	20.8	23.1	19.0	17.5	17.6	15.8	8.3	4.4	3.4	3.1	2.9	1.8
Total U.S. Market (A + B)	68.8	36.3	47.6	54.1	54.8	57.3	62.1	50.7	47.0	38.0	31.7	31.7	27.4	18.0
% U.S. Market Imports	48.0	48.7	56.3	57.2	65.5	69.4	71.6	68.8	82.3	88.4	89.3	90.2	89.4	90.0
% U.S. Market U.S. Producers	52.0	51.3	43.7	42.8	34.5	30.6	28.4	31.2	17.7	11.6	10.7	9.8	10.6	10.0

*Included in "Other" or no imports that year.

CORDAGE INSTITUTE

Attachment D

IMPORTS OF MAN-MADE FIBER CORDAGE
OF STRANDED CONSTRUCTION
(TSUS 316.6020)
1973 - 1977

(In Pounds)

Year	TOTAL IMPORTS	IMPORTS FROM KOREA	KOREA AS A % OF TOTAL
1973	633,935	28,518	4.5
1974	492,120	106,778	21.7
1975	1,527,264	216,118	14.2
1976	1,442,960	889,966	61.7
1977	2,080,077	1,365,923	65.67

Source: National Technical Information Service, U.S. Department of Commerce

Mr. VANIK. Thank you very much.

The next witness will be Mr. Maurice H. Winger, chairman of the Man-Made Fiber Producers Association.

STATEMENT OF MAURICE H. WINGER, JR., CHAIRMAN, MAN-MADE FIBER PRODUCERS ASSOCIATION

Mr. WINGER. Mr. Chairman, I am Maurice H. Winger, and I am president of the American Enka Co. However, I am here today in my capacity as chairman of the Man-Made Fiber Producers Association. Our association represents member companies which manufacture more than 90 percent of the manmade fibers produced in this country. Manmade fibers, in turn, account for 73 percent of all fibers consumed by American textile mills.

We are most pleased to have the opportunity to appear here today in support of H.R. 10853. We believe the fact that 168 Members of the House of Representatives have cosponsored this bill clearly indicates the breadth of support it enjoys. We are grateful for that support, and we are grateful to you, Mr. Chairman, for arranging this hearing today.

We are in full support of the statement made by industry and labor spokesmen, and we share the concern which has been expressed in the proposed reductions in fiber textile and apparel tariffs which the administration has made in Geneva. We are convinced these proposed duty reductions would have a devastating impact on the American textile, fiber and apparel industry and its 2½ million employees.

Mr. Chairman, duties are necessary and important safeguards for every segment of our broad industry. They are essentially the only form of defense which the U.S. fiber industry has against excessive imports from Asia and Europe. Manmade fibers are included under the MFA. However, it should be pointed out that only a few yarn categories have been included in some of the bilaterals. It should also be pointed out that bilateral agreements have not been concluded with European countries and, in addition, the United States under the present agreement has no specific quantitative restrictions on manmade fiber and yarn exports from Japan, whereas Western Europe and Japan are major suppliers of yarn and fiber to the U.S. market. Even if specific ceilings were set on manmade fiber imports, we have no guarantee that the present Multifiber Arrangement will be renewed when it terminates in 4 years.

If tariffs are reduced, exporting countries, and especially countries with low wage rates, will be encouraged to export greater quantities of fiber and textile products into the United States. Countries that are not covered under the bilateral agreements will have an additional advantage.

This lack of quantitative restrictions makes the retention of our tariffs all the more important when one examines the state of the worldwide fibers business. Fiber producers throughout the world have operated at marginal or unprofitable levels in recent years because of the excess capacity. World capacity for noncellulosic fibers, such as nylon and polyester, will be more than 28 billion pounds this year, and that figure is 50 percent greater than the 19 billion pounds produced in 1976. Excess capacity forces prices down, and it is when prices are at depressed levels that tariffs help to deter excessive imports and provide nominal protection to domestic industry.

Our domestic manmade fiber industry cannot be expected to compete with imports which are unfairly priced below manufacturing costs or below the prevailing prices in the country of origin, or which are subsidized by other governments. Many offshore producers are required by law or regulation to maintain high production rates. These producers must sell fiber at whatever price it will bring and wherever a market can be developed. All too often, the United States has been the market of opportunity for this unfairly priced forced production.

The traditional remedy for these practices is the filing of antidumping or countervailing duty petitions. Our members have filed nine such cases within the last 15 months, and seven of these petitions still are under study at the Treasury Department or the International Trade Commission. However, U.S. antidumping and countervailing duty laws are of dubious effectiveness. Not one of these cases has as yet resulted in any fines, and only current duties stand between our industry and an increasing onslaught of unfairly priced fiber. Our association recently submitted a statement to this subcommittee regarding needed changes in existing laws, and we hope that the committee will implement legislation providing more equitable procedures.

We are confident that a worldwide reduction in manmade fiber tariffs would not result in increased exports of our products. Other countries might be willing to lower tariffs, but in most cases they have offsetting nontariff barriers which would nullify any additional trade advantages. Nor do we believe that it would be wise or prudent to trade off American tariffs for elimination of nontariff barriers imposed by other countries. History has proven that variations of nontariff barriers are infinite and those bargained away would quickly be replaced by clever new ones.

It has been reported that the American offer in Geneva calls for greater tariff reductions on textile mill products, including yarn, than on apparel, apparently because of the recent small trade surplus in textile mills in 1977. Aside from the fact that this surplus turned into a deficit this year, this logic fails to take into account the many millions of pounds of textile mill products which enter this country in the form of apparel. Each of these pounds imported as apparel displaces a pound of yarn and fabric that an American firm could have sold to the apparel industry. It also should be pointed out that a tariff reduction on yarn and fabric would allow the tremendous world overcapacity in these products to be turned on the U.S. market. In no time that small trade surplus in textiles and fibers would become a substantial deficit.

In summary, we believe it is absolutely essential to maintain current duties on manmade fiber and all textile products. We believe passage of H.R. 10853 is the best method of achieving that objective. We urge its adoption.

Thank you very much for the opportunity to be here today.

Mr. VANIK. Thank you very much.

Our next witness is Mr. Irving Kaplow, chairman of the board of the Textile Distributors Association.

32-859 O - 78 - 16

STATEMENT OF IRVING KAPLOW, CHAIRMAN OF THE BOARD, TEXTILE DISTRIBUTORS ASSOCIATION, INC.

Mr. KAPLOW. My name is Irving Kaplow. I am president of the Greige Goods Division of Reeves Brothers, Inc., and appear before you this morning in my capacity as chairman of the board of the Textile Distributors Association, Inc.

We appreciate the opportunity which this House of Representatives subcommittee has offered our association in permitting us to submit this statement in support of the Holland-Broyhill bill (H.R. 10853).

The Textile Distributors Association is the marketing trade association for those companies involved in the distribution of finished apparel fabric to the apparel manufacturing and retail trades. Our membership consists of approximately 180 companies, with individual sales volume ranging from less than $1 million annually to well over $100 million. This association takes pride in representing both small and large business.

I am accompanied by J. Wallace Kaine, our executive director.

Here are five hard facts which you gentlemen must accept as axiomatic in your deliberations on the Holland-Broyhill bill:

1. An increase in textile and apparel imports is also an increase in unemployment with concomitant welfare costs and the major intangible costs which result from an enlarged poverty segment of society.

2. The textile and apparel industry is basically small business. The largest manufacturer of textiles produces less than 7 percent of our total production. The average producer is relatively small, and this is even more true in the apparel industry. Small business in our industry represents a bastion of our industrial democracy, but will be the first business victim of increased imports and tariff reductions.

3. The textile industry resources will be crucially taxed in order to comply with various recent regulations relating to OSHA and environmental control. It is likely that dust and noise control alone will require annual investments in excess of the total annual profit of this industry. Significant reductions in our tariff structure will make it almost impossible for our industry to make these major new investments.

4. The apparel industry represents major employment opportunities for minority population cities, such as New York and Los Angeles. There is no doubt that the loss of jobs in these industries in New York, for example, has contributed seriously to its financial crisis. Tariff reductions on textiles and apparel would undoubtedly lose jobs in New York and Los Angeles where minority groups need stepping stones in order to become secure members of our society. Furthermore, in other geographical areas, including almost every State in the Union, about 80 percent of textile and apparel workers are women and/or blacks and/or Hispanic people for whom such employment opportunities represent security.

5. Advocates of tariff reduction maintain that imports represent an anti-inflationary influence. We are not aware of any definitive studies which so prove. On the other hand, there is very good evidence that the retail establishment sells import products at the same price level as domestic products, realizing as much as two to

three times the mark-on. We trust that we will not be misunderstood on this score. Profits are very important, but let us clearly understand that imports are a good profitmaker and not a significant factor in reducing the consumer's cost of living.

We complete this testimony by asking that the House of Representatives contemplate whether there is a secure place in our society for the less skilled, the minority groups as women, blacks, and Hispanics, or whether such Americans become permanent members of a welfare class. If this country should reduce tariffs on textiles and apparel products, we will hurt these workers and we will hurt small as well as big business at a time when we need all our resources to maintain our market share.

Accordingly, for all of these reasons the Textile Distributors Association strongly supports the passage of H.R. 10853, and we thank you very much for this opportunity to so testify.

[The prepared statement follows:]

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The textile and apparel industry in the United States is already an endangered species, even prior to contemplated tariff reductions no being negotiated by our Government. While it is true that the Multi-Fiber Arrangement and the bi-lateral agreements limit imports, such import growth, nevertheless, is more rapid than the growth of our domestic industry. At the present time, imported apparel accounts for something in the area of 30 percent of all apparel sold in the United States. At the current rate of growth, imports will account for 60 percent of market-share in 10 years.

Furthermore, it is important to point out that major areas of textile and apparel production, like the European Common Market countries and the People's Republic of China, have no bi-lateral agreements with the United States.

Reductions of tariff duties, reported to be contemplated in the area of as much as 60 percent will make the American market a desirable sales target for these countries as well as other countries who have unfilled quotas under the bi-laterals. Thus, a major increase in textile and apparel imports is absolutely predictable from two categories of producing countries if our Government subjects textile and apparel products to tariff reductions.

Here are five hard facts which you gentlemen must accept as axiomatic in your deliberations on the Holland-Broyhill bill:

1. An increase in textile and apparel imports is also an increase in unemployment with concomitant welfare costs and the major intangible costs which result from an enlarged poverty segment of society.

2. The textile and apparel industry is basically a small business. The largest manufacturer of textiles produces less than 7 percent of our total production. The average producer is relatively small and this is even more true in the apparel industry. Small business in our industry represents a bastion of our industrial democracy but will be the first business victims of increased imports and tariff reductions.

3. The textile industry resources will be crucially taxes in order to comply with various recent regulations relating to OSHA and environmental control. It is likely that dust and noise control alone will require annual investments in excess of the total annual profit of this industry. Significant reductions in our tariff structure

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5. Advocates of tariff reduction maintain that imports represent an anti-inflationary influence. We are not aware of any definitive studies which so prove. On the other hand, there is very good evidence that the retail establishment sells import products at the same level as domestic products, realizing as much as two to three times the mark on. We trust that we will not be misunderstood on this score. Profits are important but let us clearly understand that imports are a good profit maker and not a significant factor in reducing the consumer's cost of living.

We complete this testimony by asking that the House of Representatives contemplate whether there is a secure place in our society for the less skilled, the minority groups as women, blacks and Hispanics or whether such Americans become permanent members of a welfare class. If this country should reduce tariffs on textitles and apparel products, we will hurt these workers and we will hurt small as well as big business at a time when we need all our resources to maintain our market share.

We urge this subcommittee and, in turn, the full committee and the House of Representatives to pass the Holland-Broyhill bill and with the Senate, to pass it overwhelmingly in such numbers as to preclude a Presidential veto.

Thank you for this opportunity to testify.

Mr. VANIK. Thank you very much.

We will also without objection include in the report, in the statement of the committee, the exhibits that have been submitted in poster form. I think those are very informative.

It is interesting how government agencies and the industry can come to different forms of charts. There ought to be some rules or truth-in-charting laws that would disclose the essential information very properly.

I would like to address a question first to Mr. Small. We read your annual report. Dan River International appears to be one of your operations. Could you describe your export activities and whether you note an improvement in export potential as a result of the weakening dollar?

Mr. SMALL. Mr. Vanik, thank you very much.

Mr. VANIK. My next question is where are we when the dollar strengthens up? Go ahead. First tell me about whether you have noticed anything with respect to the weakened nature of the dollar.

Mr. SMALL. I would like to say that in our export sales we have had an international sales division for some 30 years, and for the last 5 years almost without exception the dollar sales have gone down. In the first 5 months of this year, our dollar international sales are off 11 percent, and we have no sales or practically no sales to any of the lesser developed countries. Our sales are primarily to the European Economic Community, and we found that the rules of origin and special cutting agreements which they have effected with certain Mediterranean countries have seriously impacted the amount of sales that we have been able to effect into the European community.

As far as Japan is concerned, with the exception of one year, 1972, when there was a relaxation, apparently, of their cartel agreements, we did make certain imports to Japan, since that time we have been able to ship not one yard into Japan, and I do not know what my colleagues have been able to do, but I doubt if they have shipped very much, because Japanese imports represent less than 5 percent from the United States of what they export to the United States.

Mr. VANIK. Also, in your annual report you state that Dan River entered 1978 with its unfilled orders position substantially ahead of a year ago. "Most markets for products appear promising. With continued support of our employees and stockholders we intend to make 1978 a good year."

Is that prediction holding true? Are your earnings ahead or behind where you were last year at this time?

Mr. SMALL. Our earnings in the first quarter of this year were substantially less than they were last year. Our earnings, just as an accurate record, were 57 cents a share in the first quarter of 1977, and they are 26 cents a share in the first quarter of 1978.

Mr. VANIK. There is great concern about the industry over the costs imposed by OSHA and EPA. Yet I notice in your annual report that $5.5 million of your 1978 capital spending plans of $24 million will be devoted to such expenditures. While this is a heavy burden, it is not as high as we were often led to believe it might be. What do you expect the Government mandate of capital expenditures will be in the next few years?

Mr. SMALL. This is a very timely question for Dan River in particular, and I speak for my company. On Friday this past week we issued a pollution control bond in the amount of $3.5 million, in order to take care of smoke abatement in just one of our stacks. I might say that we spent some $1 million on this particular stack in 1973, in order to meet the 1971 standards. The 1971 standard was changed in 1974, and now for just this one stack of emissions we are spending $3.5 million to meet the changed 1974 standard. And if the dust standards stand, there is no telling. It has been estimated anywhere from $1.6 billion to $2.6 billion, but technology is not available today to meet the present dust standards, and I have no idea, but it would be astronomical to meet the standards that have been imposed upon the textile industry.

Mr. VANIK. We have our distinguished colleague, Mr. Joe Waggonner. We would be pleased to have you sit and participate with us, and come up with any questions you have, Mr. Waggonner.

I read an article last week that stirred me up rather extensively. It dealt with the tremendous added costs of American production for export, the disadvantage in competition that we have, by permitting imports to come in with industries that do not have to comply with these OSHA and EPA standards. From what you know about foreign production, what level or what stage of the game are they in, in complying with EPA standards or with OSHA? This is really an unfair competitive advantage. We insist on you being clean, and then we import goods that are made in dirty factories. It seems to me this is one of the things we ought to do something about. We have totally ignored this. Our colleague Morris Udall introduced a bill that directed this first to my attention, related to the importation of some minerals that competed with his domestic industry, which has tremendous production costs, because of compliance with these very necessary and important laws. What is the state of the art of OSHA and the art of EPA among our producing partners in the world?

Mr. SMALL. Mr. Chairman, with your permission, I would like to call on my colleague, Mr. Klopman, president of Burlington Industries, who has more extensive information, and with your permission I would like for him to answer that question .

Mr. KLOPMAN. Thank you, Mr. Small. I do not know that we have any real hard facts on that, Congressman Vanik, but I think I might have read the same article you did, which in essence said that the less-developed countries were going to forget the problems of pollution for the time being, until they solved other problems in their countries. In the areas where we operate, factories outside of the United States, I would say that OSHA-type requirements and EPA requirements are negligible.

Mr. VANIK. I saw some plants myself in Hong Kong, and in Taiwan, and it seemed to me, I must say, at least the plants that I saw seemed to be making some degree of controlling the environment and protecting it. I do not know whether I saw everything; I could not have.

Mr. KLOPMAN. True. I do not mean to question what you saw, but a lot of these things have to be measured; the amount of dust that comes out of a stack sometimes is very difficult to see. You can go through many plants where cotton is processed, and they will look very clean, but will not come close to meeting the new standards that have been promulgated.

Mr. VANIK. If you were to arrive at a figure of added costs related to the average foreign producer, stemming from OSHA and EPA, what could you arrive at as a percent of cost? What is the variation?

Mr. KLOPMAN. I would like to try and answer that in another way, and make it a little bit more personal. In our own company in the last 4 years we have spent $120 million on OSHA requirements, and the ongoing cost is some $15 million to $18 million a year.

Mr. VANIK. If you can, relate that to the total cost of production. Perhaps you can do that for the record. I know you should not have expected this line of questioning, but I would appreciate it if anyone on the panel could add to the record and provide us some information as to this OSHA/EPA cost as a percent of production.

Mr. SMALL. Mr. Chairman, could we provide additional information for the record at a later date on this matter, because it is very important.

[The following was subsequently received for the record:]

SUPPLEMENT OF THE AMERICAN TEXTILE MANUFACTURERS INSTITUTE

During the hearings, questions were asked of the textile industry witnesses concerning the anticipated costs of meeting the various environmental and regulatory standards as currently promulgated. The witnesses offered to submit more detailed cost estimates for the record, which follow. Also included are copies of studies and testimonies on which these estimates are based.

There are three areas of regulatory/environmental control where standards have been sufficiently promulgated so that estimates of costs to satisfy these standards in the textile industry can be estimated. These areas are cotton dust, noise and water quality.

COTTON DUST

The current standard for cotton dust, as required by OSHA calls for 0.5 mg of dust/cu. ft. of respirable air and 0.2 mg/cu. ft. in yarn manufacturing. Based on this standard, ATMI estimates that it will cost the textile industry in excess of $2 billion to meet this standard. This cost does not include annual operating and maintenance costs of the equipment.

NOISE ABATEMENT

ATMI estimates that it will cost $3 billion to meet the 90 dBA standard set forth by OSHA.

WATER QUALITY

In 1975, the National Commission on Water Quality estimated that it will cost between $0.5-0.8 billion for the textile industry to meet the 1983 water quality standards. In addition, they estimated additional costs of $50-$80 million per year in maintenance and operating costs of the equipment.

ECONOMIC IMPACT

The total estimated costs, then, to meet the standards for cotton dust water quality, and noise abatement, would be $6.0 billion at a minimum. Three points should be emphasized. First, this is a minimum figure, based on recent assessments of technology and current prices. Second, it does not include any maintenance and operating costs associated with the equipment. Third, the cost does not include estimates to meet standards for solid waste, air pollution control and other environmental/regulatory areas where standards have not yet been set forth.

It is appropriate to examine this $6.0 billion estimate, in light of current economic indicators of the textile industry, to put in perspective the potential impact of these costs on the industry.

In 1977, the Federal Trade Commission reported net fixed assets, in the textile industry, of $6.0 billion, and total net assets of $19 billion. The industry's annual rate of profit as a percent of total assets, before taxes, was 8.4 percent. In adding the $6 billion environmental/regulatory capital investment, the industry's total assets would increase by about 30 percent. While increasing the textile industry's assets, this non-productive equipment would create little if any increased production. With prices raised to compensate for this additional expense, and all other factors being equal, the pre-tax profit percentage would be reduced to 6.4 percent.

Depreciated over five years, this $6.0 billion would be a direct business cost to the industry of $1.2 billion a year. In 1977, the industry's pre-tax profits were $1.5 billion. This additional annual depreciation cost is almost equal to the industry's profits. Since this money goes to taxes, equipment replacement, as well as investment in new facilities, current cash flow is not a source for this additional expense.

The textile industry already has one of the lowest rates of return on investment. Adding this $1.2 billion in depreciated costs to the $860 million of depreciation of 1977, triples the textile industry's depreciation costs to a total of $2.1 billion a year. The effects of just this increase would cause a 4½ percent increase in prices.

For just meeting these present standards, then, the industry is faced with having to raise its prices by 4½ percent, while at the same time experiencing a substantial drop in its annual rate of profit.

In 1976, the textile industry spent $64 million in pollution abatement on air, water, and solid waste treatments (including sewer charges).

As noted, it is estimated that costs to the textile industry to operate and maintain water quality equipment would be $50-$80 million per year. This cost alone would double the industry's expenses in this area, which is another direct cost of business.

The textile industry is deeply committed to environmental quality and energy efficiency. Using 1972 as a base, the industry's energy efficiency has increased by 18 percent. The industry is concerned that, in order to grow, there must be a confidence in the growth and prosperity of the industry in order to attract investment and to stimulate modernization and expansion.

We are concerned that these estimates and anticipated impacts on the textile industry would not generate that confidence. We are hopeful that alternative approaches to meeting these standards, both technologically and financially, can be achieved. Enclosed is a copy of ATMI's eleven-point proposal on tax reform, as presented to the Commission on Ways and Means on March 6, 1978. We trust this Committee finds this material useful.

[Additional, technical background data submitted by the ATMI on this issue is available in the subcommittee files.]

STATEMENT OF LOUIS W. JENKINS, VICE PRESIDENT AND CONTROLLER, CANNON MILLS CO., KANNAPOLIS, N.C., ON BEHALF OF AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.

I am Louis W. Jenkins of Cannon Mills Company, a diversified textile manufacturing company. I appear before you today on behalf of the American Textile Manufacturers Institute, Inc. ("ATMI") as the Chairman of the Tax Committee of that organization.

ATMI is the central trade association for the U.S. spinning, weaving, knitting and finishing industry, with the member companies of ATMI accounting for about 80 percent of U.S. textile production. Our industry alone employs nearly one million people in forty-seven states. Together with the apparel industry, we are the nation's largest manufacturing employer, supplying 2.3 million jobs, or one out of every eight, in the manufacturing sector. Of this number, 64 percent are women and 19 percent minorities. In addition, many other industries, such as cotton and wool growers, synthetic fiber manufacturers, dyestuff and chemical plants, transportation companies and electric utilities are directly involved with the textile industry.

The security of the millions of jobs provided directly or indirectly by the textile industry is seriously threatened by the ever expanding capital needs and costs facing the industry.

Textiles are traditionally a low-profit industry and we are currently faced with heavy capital commitments as a result of Environmental Protection Agency and Occupational Safety and Health regulations. For example, the estimated cost to the industry to meet the proposed OSHA dust control standards is $2.8 billion. The industry faces another $3 billion expense if the OSHA noise standard is enforced. In addition, the industry will need to spend another $528 to $785 million to meet 1983 water pollution control standards. Operating and maintenance requirements will add another $50 to $81 million annually.

On top of these non-productive capital expenditures mandated by Government regulations come the tremendous capital requirements connected with the conversion to coal of boilers and other combustion and related facilities which must be added or modified to handle coal.

Given the above capital requirements for non-productive health, safety and pollution and energy crises expenditures, and the historic low-profit margins of the textile industry, one wonders how these needs can be met, if expenditures for modernization and expansion are not to be neglected. And, if the industry is unable to invest in modern plant and equipment, because its limited supply of capital must be diverted to non-productive uses, how is it to survive the ever increasing competition from low-cost, low-wage foreign producers?

It is in this context that the textile industry makes its recommendations with respect to the proposed changes in the tax laws which appear to have some impact upon capital formation in this country.

ATMI RECOMMENDATIONS IN THE AREA OF CAPITAL FORMATION

ATMI has for many years pressed for a tax environment in the country which is conducive to modernization and expansion of plant and equipment. This is particularly important at this time when enormous capital expenditures must be made by industry for environmental protection facilities and for coal conversion facilities which do not increase industry's productive capital or efficiency. Our specific recommendations are as follows:

1. Corporate rate reduction

ATMI strongly favors the President's proposed corporate tax reductions to 45 percent, effective October 1, 1978, and to 44 percent on January 1, 1980. ATMI places corporate rate reduction at the top of its list of possible changes in the tax law to encourage capital formation.

2. Capital cost recovery for productive machinery and equipment

More rapid cost recovery as a matter of statutory right should be provided for investments in new machinery and equipment, with no cutback in allowable investment credits. Our understanding is that even with the present 10 percent investment credit and ADR, capital cost recovery allowances for most industries in this country still lag behind those in almost all the major industrial nations.

As an alternative to the proposed five-year write-off of new M&E, ATMI would support a change in the ADR depreciation system which would permit the use of lives up to 40 percent shorter than the prescribed asset period, instead of the present 20 percent range.

3. Investment credits and rapid amortization (excluding buildings)

ATMI supports the President's proposal to make the present "temporary" 10 percent investment credit on machinery and equipment a permanent feature in the Tax Code. In fact, ATMI believes the 10 percent credit should be increased to 12 percent to further encourage modernization and expansion.

The Carter Administration has previously proposed, in connection with Congressional consideration of the Energy Bill, that the allowable investment credits be substantially increased for expenditure on business energy property. ATMI recommends a flat 25 percent investment credit for expenditures in business energy property. In addition, we believe that consideration should be given to a similar increase in allowable investment credits for capital expenditures in non-productive facilities to meet EPA and OSHA standards.

The President's proposal to allow the full 10 percent credit for investments in pollution control equipment, even if five-year amortization is elected, is a step in the right direction. However, it does not go nearly far enough. ATMI believes that investments in non-productive facilities necessary to meet EPA and OSHA standards, or to convert to the use of coal, should be given a write-off period of no more than three years and that investment credits well in excess of 10 percent should be allowed with respect to such expenditures.

ATMI supports the Administration's proposal to provide that investment credits may offset up to 90 percent of tax liability in any year.

4. Investment credits and capital cost recovery for industrial buildings

ATMI believes there is an urgent need for improving the Federal tax policy applicable to cost recovery allowances for industrial buildings. Most of the industrialized nations of the world have far more liberal tax rules in this important area than does the United States. Accordingly, ATMI endorses the President's proposal to extend the 10 percent investment tax credit to industrial structures placed in service or rehabilitated after December 31, 1977.

We are strongly opposed, however, to the President's proposal that the depreciation of all real estate be handled uniformly as part of his solution to the tax shelter problem, with the result being that depreciation allowances for industrial buildings would be sharply curtailed. The President's proposal would place a uniform thirty-five-year life on factory buildings and warehouses and would require the use of the straight-line method, thus restricting the yearly depreciation deduction to about 2.86 percent of the original cost of the building.

It will be noted that the President's cost recovery proposals which affect industrial buildings work at cross purposes. On the one hand, he would extend the 10 percent investment tax credit to such structures while, on the other, he would take away the present right to use the 150 percent declining balance method to write of the cost of new industrial structures.

ATMI urges that a twenty-year cost recovery period be provided for industrial buildings and that the use of the double-declining balance method (taken away in 1969) be restored for new buildings. Such new industrial buildings are to be eligible for the investment credit under the President's 1978 tax program. Pursuant to the President's proposal, these industrial buildings are to be fully subject to depreciation recapture. Moreover, the shorter depreciable lives for industrial buildings could be limited to owner-occupied facilities qualifying for the new investment credit provisions. Thus, any tax shelter abuse is effectively precluded, ab initio. As we have stated in prior testimony before this Committee, if the Congress considers real estate tax shelters a problem, it should attack the problem in a way which does not penalize an industry such as textiles, which is not involved in tax shelters.

5. Double taxation of corporate income

The textile industry and business in general are in desperate need of outside sources of funds. Equity financing over the long run would obviously be made more attractive by reducing the double taxation of corporate earnings. Accordingly, although such a change in our tax laws is not as high a priority item to ATMI's membership as the capital formation proposals previously discussed, ATMI fully supports the partial integration proposal of Chairman Ullman, as outlined by him on the House floor on February 2, 1978. We are encouraged by his statement that the partial integration proposal is not intended as a substitute for other corporate tax reduction measures that may be considered by Congress and that there is no need for trade-offs, given the modest initial revenue impact of his proposal.

6. Capital gains—Minimum tax proposals

Consistent with its position that capital formation will be encouraged through stimulation of equity investment, ATMI is opposed to the substantial increase in the taxes on individual capital gains which would follow if the President's recommendation were adopted (1) to do away with the alternate 25 percent tax on the first $50,000 of capital gains, and (2) to eliminate the offset against "preference" income under the 15 percent minimum tax of one-half of the regular individual income tax.

ATMI believes that long-term capital gains should be taxed at lower rates than at present. We are therefore strongly opposed at rates approaching the ordinary income tax rate through amendments to the so-called minimum tax—which clearly make this misnamed minimum tax essentially an additional tax on capital gains.

7. Simplification of ADR depreciation

ATMI approves the proposal that new Treasury regulations be authorized which would simplify the present ADR system. In addition to the proposed changes outlined by the Treasury Department, ATMI recommends that an effort be made to develop ADR rules which will not require the maintenance of two sets of depreciation books—one to satisfy the IRS rules and a second to conform to generally acceptable accounting standards.

OTHER TAX RECOMMENDATIONS

1. Taxation of foreign income

(a) DISC

To encourage exports, the present DISC deferral program should be retained. Congress cut back substantially on DISC benefits in 1976. Given this country's current balance of payments problems, consideration of any further changes in the DISC provisions should be postponed for at least two years.

(b) Income of foreign subsidiaries

Congress should not go beyond present law in taxing undistributed profits of foreign subidiaries, with the possible exception of profits derived from products imported into the United States. The technical and administrative problems, confusion and paperwork that will be generated by a change to current taxation of the unreported earnings of controlled foreign subsidiaries are enormous. The small amount of revenue involved in the proposed change is hardly worth the additional governmental red tape, even assuming the correctness of a governmental policy designed to make American business interests abroad less competitive with their counterparts abroad owned by foreign investors.

(c) Section 911

ATMI supports the extension of old § 911 for two more years—through calendar year 1978—to give the Congress time to develop new rules for taxing the earned income of U.S. citizens residing abroad. ATMI believes it is in the best interests of the United States to have many thousands of its citizens working abroad and helping to promote the use of U.S. made goods and services. Changes in our tax law are clearly needed to assure that, because of American taxes, American workers are not priced out of foreign employment opportunities.

2. T&E, foreign conventions

ATMI is opposed to the artificial restrictions on the deductions for travel and entertainment and for expenditures connected with foreign conventions which are proposed by President Carter. We believe that it is time to return to the basic test for the deduction of any business expense—was it ordinary and necessary to incur the expenditure in furtherance of the taxpayer's business interests? If, for business reasons, the taxpayer can justify flying first-class rather than coach, we see no sound reason for limiting his deduction to the cost of a coach ticket. Thus, for reasons of health, age, or even the taxpayer's size, first-class travel may be clearly warranted. In like fashion, the businessman may need to review confidential business records during his flight. The crowded conditions of most coach cabins may preclude this business activity, thus effectively eliminating the business use of the time spent in transit on the airplane. The Treasury's only argument for disallowance of the excess of the first-class fare over the coach fare is that "both ends of the plane arrive at the same time". That same type of argument could be used to disallow a deduction for almost any business deduction which exceeds a maximum allowable figure in a Treasury table. ATMI does not believe the Internal Revenue Code should be used as a tool to bring about conformity of business expenditures to some notion of government bureaucrats as to what is an appropriate standard for all.

As for the disallowance of one-half of the cost of a business meal (unless the taxpayer is in travel status out-of-town—overnight), the problems connected with keeping track of which expenditures are fully deductible and which are partially deductible will be an administrative nightmare for companies with numerous salesmen and executives in travel status on a fairly regular basis. The abuse cases cited by the Treasury Department in support of its so-called "three martini lunch" proposal appear to present factual situations which already call for disallowance of most of the claimed deductions under present law. Better enforcement of the existing rules by the IRS—with ascertain of negligence or fraud penalties in such extreme cases—is clearly preferable to another round of government-imposed restrictions on normal and acceptable business travel and entertainment.

3. Employee benefits

The Treasury Department has proposed that ERISA-type non-discrimination rules be extended to group term life insurance plans and health and accident plans. The extension into the welfare plan area for all industry of a significant portion of the burdensome ERISA paperwork should only be approved by Congress if there is a showing of substantial abuses under existing law. ATMI believes that the problem areas which appear to bother the Treausury Department would be solved if the proposed "owner-employee" rules suggested by the Treasury were adopted, without requiring all industry to take on ERISA-type paperwork for all their employee welfare plans.

4. Pollution Control Bonds

Several members of ATMI have found the proceeds of industrial development bonds to be one of the few sources of funds for use in financing the construction of required pollution control facilities. The proposed repeal of the tax exemption for industrial development bonds will increase the cost of financing such facilities. Given the serious financial plight of the textile industry, ATMI is opposed to the repeal of the tax-exempt status of industrial development bonds.

Mr. VANIK. When I think about the whole problem of imports, there are a lot of American people that might have some sensitivity to competitive imports from dirty industries, those that simply profiteer and take advantage of the difference between the American standards and the foreign standards, and if there is pollution or damage in other parts of the world, it is going to hit us, and it is totally unfair. Everybody recognizes that. I think that if we go to that issue, we might find a wide constituency in America here to do something about the disadvantage of the added burdens that our industries have resulting from the so-called dirty operations in foreign countries.

As a matter of fact, concern over those unclean operations may have a great political base here than even the low-wage base argument, because there is a great sensitivity. It is very strong in this country, maintaining the environment, the quality of work conditions. I hope that you might address yourself to that and help me prepare some more information on that issue, particularly with respect to the textile industry and the apparel industry.

Mr. SMALL. Thank you very much, Mr. Chairman. Quite a number of reverse subsidies, as we referred to them, and we would like to submit to the committee more detail.

Mr. VANIK. Mr. Vargish, I understand that overall importation of textiles and apparels is about 10 or 11 percent. Yet your statement seems to say, in terms of value, 50 percent of all imports occur in your segment of the industry. What percentage of the textile and apparel industry's employment is accounted for by the knitted outerwear group?

Mr. VARGISH. Mr. Chairman, in my statement I indicated that although we absorbed, as you just pointed out, about 50 percent of the textile trade deficit for 1977, we employ less than 10 percent of those workers employed in the textile apparel industry.

Mr. VANIK. You cite some import statistics for the People's Republic of China for 1977. Have you felt the impact of heavier imports this year from that sector?

Mr. VARGISH. There was a marked increase in 1977 shipments over 1976. I would like to supply this data as part of my testimony.

[The information follows:]

NATIONAL KNITTED OUTERWEAR ASSOCIATION,
New York, N.Y., July 19, 1978.

Hon CHARLES A. VANIK
Subcommittee on Trade, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN VANIK: During my testimony before your Committee on July 10th you asked for recent data on shipments of sweaters from the Peoples Republic of China.

The shipments of sweaters for the past three years were as follows.

	Dozen
1975	5,652
1976	52,031
1977	128,504

For the first quarter of 1978 24,996 or a 22 percent increase over the same period in 1977.

It is to be noted that the domestic sweater industry is depressed—and if there is an increased consumer acceptance of sweaters we foresee a sharp increase in further shipments from the People's Republic of China.

In regard to my testimony which concerned the concluded bilateral with Columbia, I am enclosing a press release that covered this agreement.

I would appreciate including this letter with the testimony submitted to your Committee on July 10th. I am forwarding a copy of this letter to Mr. John Martin Jr., Chief Counsel for the Committee on Ways and Means.

On behalf of the Knitted Outerwear Industry, I would like to express my appreciation to you for the opportunity to testify before your Committee on July 10th.

Sincerely yours,

GEORGE VARGISH, *President.*

[From the Daily News Record, May 17, 1978]

U.S. TEXTILE PACT PLEASES COLOMBIAN GOV'T, INDUSTRY

(By June Carolyn Erlick)

Bogota (Cable FNS)—Colombia and the United States have signed a new textile agreement, and, at first glance, both Colombian government and industry officials seem to be happy about it.

The new agreement, according to officials here, allows for the exportation of 127 million square yards of Colombian textiles into the United States. For months now, Colombian textile and garment manufacturers have been accusing the United States of only wanting to purchase raw materials from this semi-industrialized nation of 25 million. Manufacturers charged the developed neighbor to the North was trying to stifle Colombia's budding textile industry. At one point the binational Colombo-American Chamber of Commerce was expelled from the National Association of Industrialists for allegedly supporting this point of view.

[In Washington Mike Smith, chief textile negotiator in the office of Special Trade Representative, confirmed that U.S. and Colombian negotiators had reached an agreement on a new bilateral pact and initialed a memorandum of understanding.

He refused to discuss details of the agreement until the official diplomatic notes formalizing the agreement have been exchanged by the two countries.]

The new agreement, which must be ratified by Colombia's foreign affairs minister, and its economic development minister, goes into effect July 1, 1978 and runs until June, 1982. The new agreement differs from the previous one in that it has a built-in consulting plan. Basic quota allowances in three categories were established, but if the approximate quota is to be filled, the category can be expanded on a government-to-government consulting basis.

Colombian apparel will be subject to a 37-million-yard quota in 1978–79, with an automatic 7 per cent increase each succeeding year. However, the amount could be expanded under the "Consulting" plan.

Four items remain outside of the consulting system: combed or carded linen cloth; men's wool suits; some knit and woven dresses and coats in synthetic fiber, and synthetic woven blouses.

Colombia exported $25 million of textiles to the U.S. in 1977. The government is now estimating that the figure will reach between $50 and $60 million in the agreement's first year.

Mr. VANIK. Thank you very very much. I have some further questions, but I think I will pursue them later and yield to my colleague, Mr. Holland.

Mr. HOLLAND. Thank you, Mr. Chairman.

Mr. Small, I have heard it testified before this committee during the energy hearings we had some time ago that the average annual profits of the textile industry are $650 million, roughly. Is that about correct?

Mr. SMALL. Congressman Holland, I do not have the actual dollar profit, but the average profit on sales last year was approximately 2 percent.

Mr. HOLLAND. And I have, I believe, heard it testified before this committee at the time we were concerning ourselves with the natural gas problem, that it was going to cost the industry somewhere between $10 and $20 billion over the next 6 years to meet OSHA and EPA requirements. Does that figure sound about right?

Mr. SMALL. It is such a staggering figure that it is hard to contemplate. Incidentally, I have been given the answer to the question that you just asked. It was $800 million after taxes, $800 million last year.

Mr. HOLLAND. That is for the entire combined textile industry?

Mr. SMALL. That is correct.

I do not have the overall figure, on OSHA and EPA but just the figure that has been used for the dust standards alone, and incidentally, in reference to Chairman Vanik's question, when we met with our Japanese counterparts late last year, we asked them what problem they had with dust, and they said, "We have no dust problem," and so this is a contemplated adverse subsidy that somehow we are going to have to meet, not only the capital expenditure but the continued operating expense involved.

Mr. HOLLAND. I am given further to understand that there are approximately 6,000 textile manufacturing companies in America. It seems to me that, given the average net profit and the projected cost for meeting Government-imposed standards, that the cost of the capital outlay is going to exceed your profit over the next number of years. Is that a fair statement?

Mr. SMALL. As it now stands, it would appear that if we have to meet all of the proposed standards, that we now know and contemplate, because there are some standards such as noise which, at this point, have not been handed down, that would be a fact.

Mr. HOLLAND. At any rate, if we lower tariffs as they presently exist—and to be honest with you, I do not think they are high enough, when you think about Brazil which has a 300-percent tariff on American denim entering that country—and Mr. Smith testifies that we have the highest textile tariffs on the face of the Earth, I think there is something contradictory there—if we reduce these tariffs, and open the gates to further imports, it just widens the gap between the net profits and what it is going to cost to meet Government-imposed standards, and in effect hastens the end of the industry. I think that would be a fair statement. I do not expect the textile industry to continue operating out of some sort of benevolent drive. I understand most companies are in business to at least survive or make a small profit. It seems to me if we get isolated from the overall picture as it affects the textile and apparel industry, and if we get carried away with some of the administration arguments that this small tariff cut is so insignificant, then the proposed tariff offers may very well be part of the last feather that breaks this industry. Is that a fair conclusion to make?

Mr. SMALL. Congressman Holland, that is a very valid conclusion to make and, as Mr. Chace of the Northern Textile Association has said so very capably, we are in such terrible shape at the present time with excessive imports, what is the reason for making it even worse by cutting tariffs?

Mr. HOLLAND. I was told by management, in touring a plant recently, a knitted outerwear plant, that they can compete in quality and price with South Korean goods within the South Korean market but because of the South Korean Government's protective policies, they are prevented from doing so.

Is that generally an industry-wide situation?

Mr. SMALL. I can only answer the second part of it. Because of the Korean restrictions we could not at any value today compete with the South Koreans in the South Korean markets and we are shipping practically nothing into South Korea today.

Mr. HOLLAND. We have been, as you probably read in the press, considering a tax package in the Ways and Means Committee, and we will probably within the next few days resume consideration of that.

Is there anything we can do within our national tax structure to assist this industry, this conglomerate industry, apparel, textiles synthetic fibers, in meeting foreign competition, and at the same time meeting the Government-imposed standards that we have?

Has the industry calculated any tax provisions that may well be considered by this committee?

Mr. SMALL. Mr. Congressman, the tax committee of the American Textile Manufacturers Institute has filed a brief with the Ways and Means Committee, I understand, which goes into some detail in giving and making certain recommendations on the accelerated depreciation on pollution control equipment and other matters that I don't have the details before me that would have a favorable effect, and helpful effect on the textile industry if they were adopted.

Mr. HOLLAND. Yes, sir; and, lastly, I have information before me that the Brookings Institution has a study demonstrating that if the tariff cuts amounted to 60 percent, that the negative employment impact on textiles and apparel would be only 1.65 percent.

Do you have a prepared response to that conclusion?

Mr. KLOPMAN. Yes, Congressman. I don't have a prepared response here. We did submit a response comparing the Data Resources Institute Study versus the Brookings reports, and I think that showed several things.

First, Data Resources would show that textile employment losses of some 200,000 through 1985 from tariff cuts, and with the downstream effect approaching 500,000 through 1985. They used a macroeconomic model to arrive at their conclusions, and they used current data starting in 1977, while the Brookings Institute used really basically different assumptions. They used 1971 data and they made some assumptions as to 1974 data to arrive at their figure.

Had you taken their original paper, and I understand they have revised it somewhat, but moved the time frame forward to 1977, their job losses would have come close to those approximated by DRI. The one thing that they did not include was the so-called ripple effect, that is the effect that occurs when you take a payroll out of a community.

They assumed that the people who were put out of work would be consuming at the same level that they were when they were working. They did not make any assumptions as to what would happen to our suppliers if these businesses went out of business. But we have, as I say, submitted a report on that.

Mr. HOLLAND. Thank you, Mr. Klopman.

I have before me a statement that the Brookings study says we would lose only 41,000 jobs in America's economy. I take it those people would be just as out of work as those in steel and the television industry and so forth.

Mr. KLOPMAN. But, Congressman Holland, they are working on what is known as the theory of comparative advantage, which we believe is just that, just a theory, and they are assuming that the economy is going to sop up these displaced people. The fact is that the people in our industries and the apparel industries are low entry types who do not have the opportunities and the education to move on to other industry, if there were such work available.

Mr. HOLLAND. Sounds to me, sir, like they have given it about the same treatment as they gave the proposition by my good friend Mr. Steiger over here, as it relates to capital gains. They seem to have applied the same devious standards in analyzing both approaches.

Mr. KLOPMAN. I think it's interesting to note the people who have supported that study, one of whom was Sumitomo.

Mr. HOLLAND. All right, sir. Again I want to thank this panel for a most comprehensive and informative presentation this morning. Thank you all.

Mr. VANIK. Before we proceed to further questions, I am going to announce it's our intention to continue in this hearing until 1:20 at which time we have to vacate this room, and wherever we are at that point we will recess until 1:30 and we will resume the hearing in room 1301, which is just up the flight of stairs in this corner of the building.

It's my hope we might finish the next panel before we reach that point so we might deal with the consumer issues in the remainder of the hearing.

Next, Mr. Vander Jagt, do you have any questions?

Mr. VANDER JAGT. Thank you very much, Mr. Chairman.

I would like to commend each member of the panel for a very excellent presentation.

I, like Congressman Holland, was intrigued with the administration witnesses this morning pointing out that tariffs on textiles are higher in this country than in many of the countries that we trade with. Then, in your statement, Mr. Small, you pointed out the flood of imports from Hong Kong, Korea, and Taiwan, while denying us any meaningful access to their textile markets.

My question is can you give any idea about how fair the trade is between nations if you look only at tariffs? You have to look beyond tariffs in order to determine whether you really have fair trade.

Mr. SMALL. You are absolutely correct, Congressman, yes.

Mr. VANDER JAGT. Another interesting position I thought taken by the administration this morning was that really though we do have a flood of imports coming in in the first 5 months of this year, and though we don't really know why, we have the hope that those imports will go away and, as a matter of fact, the administration points out we have 12,000 more people employed in America's textile industry this year than we did last year and so, therefore, there is no threat to the textile industry from imports or any threat that plants might have to close.

I would like you to address that, if you would.

Mr. SMALL. I think the figures that they continue to use are very ambiguous because they state that the 1977 figures represent practically no increase, and then they refer to the fact that later that was possibly because of the dock strike. Then they tend to take out the figures in the 1978 increase without throwing them back into the 1977 when, as a practical matter, if you take from May to May the increase imports has been approximately 30 percent.

Mr. VANDER JAGT. One final point I would like to ask you to address, because it is on the record from the administration's testimony this morning, at least the implication, that since one of the main concerns of our chief negotiator is inflation, that by having a flood of imports at lower prices from abroad that this really helps us in our struggle against inflation, so if we have a whole flood of cheap imports coming in it will be deflationary.

I would not want the record to stand there without your comment on that.

Mr. SMALL. I would like Mr. Klopman to answer that.

Mr. KLOPMAN. Congressman Vander Jagt, I think there are several things we have to concern ourselves with when we talk about inflation. One, I think we should make the point that we are not opposed to imports. We are not opposed to more orderly intake of imports so that they are balanced with the growth of our market. If imports do supply some opening price points we are not suggesting that that situation change.

I think we should consider the fact, however, that with the rising textile and apparel trade deficit which looks like it can get up into the $4 billion to $5 billion figure this year that certainly is inflationary, in spite of what Mr. Blumenthal said some time ago, that every time we have a big trade deficit announced the dollar seems to go down.

I think there are other things that are inflationary too, and that is that when these people in the apparel and textile industry are put out of work they go on transfer payments; they don't go to some other industry, and that is inflationary.

The point has been made about retail markups by several people here. There was a meeting not too long ago in the Poconos where a very highly placed executive of one of the most prestigious department store groups in the United States said that his company imported $100 million worth of imports last year and sold them for $400 million.

Now, I would suggest that that is both inflationary and ripping off the consumer.

Mr. VANDER JAGT. I thank you very much, Mr. Chairman.

Mr. HOLLAND. Mr. Frenzel?

Mr. FRENZEL. Thank you.

I would like to thank the panel for their excellent testimony.

I would, Mr. Chairman, like to state that I don't believe that the administration witnesses said all of those awful things that it was alleged they may have said.

I think they responded to questions that I directed to them with respect to tariffs in the EEC and Japan, and I think we have comparisons and they are on the record, and it is well known what they are.

I think it is helpful that the panel has brought out the comparison of tariffs in other countries. I think at the time the question was asked we also discussed accessibility as another factor which contributed, and it was granted that we have poor accessibility.

Going on to another factor, earlier this morning in discussing with the administration witnesses I was trying to break out the difference between apparel and textile. You folks come before us very tightly bound together, but it seems to me that there are really two different issues before us.

It seems to me that the import problem is far greater with respect to apparel than it is with textiles. And that the problems of disparities of labor costs are also far greater. I would like to have some member of the panel, preferably a textile person, comment.

Mr. SMALL. I think, Congressman Frenzel, that in selecting at any time one segment of our industry or one part of our industry you can completely distort the facts and figures. Our industry is a total industry; it's an industry of fiber; it's an industry of fabric, and it's an industry of apparel, and they are all interrelated.

Over a period of time there are fluctuating changes in this. We have seen periods of time when we are inundated with fiber, and inundated with fabric. At the present time, apparel seems to be the one that is getting the greatest amount of imports into this country. So, what I am saying is that every time we get an apparel import, it takes away from the American apparel manufacturers, American textile manufacturers, and American fiber manufacturers.

You are taking away three jobs, you are taking away a job in the apparel industry, a job in the textile industry, and a job in the fiber industry. My associate, Mr. Blitch, who spoke in connection with apparel, might like to add something to this.

Mr. BLITCH. Congressman, I think the only thing I might add is the fact that the apparel industry in this country does absorb by approximately one-half the output of the domestic textile industry, so the situation that was just described, based on the importation of each garment, the cloth that is used in that garment, could have been produced by an American textile company. That cloth could have been styled or cut, garment styled, sewn, finished, and so forth, by an American apparel company and, therefore, you have the chain from the fiber to the cloth to the finished garment affecting American workers up and down that ladder.

Mr. FRENZEL. Thank you. Your unity is heart warming, but the figures still are persuasive. Looking at the figures for the last 7 years, and you have already warned us we have to be careful and look at them over different time frames, textile mill products show an unfavorable balance, a substantial one in the early 1970's, which works out to a slight plus balance in 1975 and essentially about a draw in 1976, in which we exported as much textile mill products as we imported.

Apparel, on the other hand, has a continuously increasing deficit in trade, and I think your one to one to one relationship between employees is not a valid one. Also, I think you have in your industry, at least the testimony led me to believe, that the textile industry is pretty well modernized, and the apparel industry, of course, is much more labor intensive and subject to much more severe price competition with respect to labor costs abroad.

I get a little nervous about lumping you into one ball. Obviously, you are related, and there is a symbiosis, but I don't think it is as direct and binding as your testimony today indicates.

Mr. KLOPMAN. If I may, Congressman Frenzel, I am being somewhat redundant, but the apparel industry is our customer, and if the apparel industry disappears, we have no place to ship our goods.

We cannot ship them.

Mr. FRENZEL. If you will let me interrupt, you found a way to ship quite a bit abroad in the last couple of years.

Mr. KLOPMAN. Yes; in recent years, we have enjoyed some success in shipping denim to Europe. I would say that is probably one of the biggest export items we have. That has virtually disappeared, but in the areas where the apparel is coming in, this year our trade deficit with the Asian countries at current rates will reach $3.8 billion. That is where the apparel is coming from.

Now, as that increases, that knocks out our customers. We lose that opportunity. We do not have a chance to get our fabric in that apparel because we cannot get into those markets. We cannot get a license to ship to Korea; we cannot get a license to ship to Taiwan; we cannot ship to Hong Kong, and trying to ship into Japan through the trading company mechanism is like dancing with an octopus.

Now, let me just say something about the efficiency of our industry. It is true we consider ourselves very efficient. But today technology is readily transferable and the Koreans have just as good equipment as we have. As to the Koreans and my own company, the wage rate difference between Korea and Burlington Industries is $450 million a year. There is no amount of technology that exists that can overcome that. So while today it's apparel, tomorrow it can be textiles. it can be all over the place.

Mr. BLITCH. Could I add just a comment on that, Congressman, on the apparel side of this equation?

The industry, apparel industry, is a very unique industry in the United States in that we do have some 18,000 different companies and approximately 22,000 to 23,000 plants. Now, there were some questions this morning about the question of whether the size of these apparel plants can be efficient, and I would like to just comment on that.

It depends on the product and it depends on the number of operations in the product. You go all the way from say a man's undershirt with 7 or 8 operations in it, all the way to a trouser with 50 to 60 operations in it. So efficiency is dependent upon the product itself and, yes, many apparel companies and plants can be very efficient in a small size.

These plants are unique because they are located in the smaller communities across the Nation. There are 37 States in the United States that employ 5,000 or more workers. And this deficit that is coming in of some $3 billion in a trade deficit in apparel is definitely clobbering the apparel end of this complex. To the extent that it is cutting the purchases that we can feed to the textile industry, it is denying them the opportunity for growth and profitability.

So, I was tremendously impressed with the comment Congressman Broyhill made about the human element that is involved here and, when we look at the forest instead of the trees, we are talking about jobs. And what jobs are we talking about? We are talking about an industry that employs 20 percent in the minority area, we are talking about an industry that is a threshold employer, and you can walk into these small plants that are located throughout this Nation in crossroads and hamlets and you will see some of the finest Americans, hard working, productive, efficient, competitive, if given the opportunity to be competitive, that you can find anywhere in the United States.

This is the industry we must protect, and if we go about continuing to cut tariffs when we have been ravaged by imports to the extent of one out of every four garments sold in the United States is an import—the business that my company is in is jeans and slacks. Last year, 215 million slacks were imported into this country for men, women, and children. That is almost one pair for every person in the United States. That is the kind of tremendous consumer market that we are talking about, and it is the kind of penetration that we have had, and we are at a crossroad and indeed on the bridge in the apparel industry of what could be a disaster.

Mr. FRENZEL. I am inclined to agree with you, but I don't think the problem is as acute with your partners.

I thank all of you for your testimony.

Mr. HOLLAND. Mr. Steiger?

Mr. STEIGER. Mr. Chairman, I will pass. I have read all of the statements and listened to as many as I could. It has been, one, exceedingly useful to have had the hearings and, second, to have had this panel of witnesses as well as others who will follow.

Thank you.

Mr. HOLLAND. Thank you.

Again, gentlemen, thank you for your participation. I think it appropriate at this time to recess the hearing to room 1301, at which location we will resume at 1:30 this afternoon.

Mr. SMALL. We thank the committee very much.

[A short recess was taken.]

Mr. HOLLAND. In view of the time constraints, we are going to proceed at this time with the next panel.

Mr. William DuChessi, Amalgamated Clothing & Textile Workers Union, and Mr. Wilbur Daniels, International Garment Workers Union; is that correct?

STATEMENT OF WILLIAM DuCHESSI, EXECUTIVE VICE PRESIDENT, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION, AFL-CIO, ACCOMPANIED BY STANLEY NEHMER, CONSULTANT

Mr. DUCHESSI. That is correct.

Mr. HOLLAND. You may proceed, Mr. DuChessi. Without objection, your statement as prepared will be included in the record.

Mr. DUCHESSI. Mr. Chairman, I am not going to use the statement in the interest of time. I want to make some off-the-cuff remarks.

We are talking not only of maintaining an industry, but we are talking about people. In the southern area of our country in the textile industry the blacks are coming into our industry very heavily, particularly so in the last 8 or 10 years. And they have no other place to go. With the farms being mechanized, the only jobs that are availble to them in many of these smaller communities are in the textile plants and the apparel plants. In the northern big cities of our country, we are talking about Hispanics, Spanish speaking, and black people.

I listened with interest this morning to our trade negotiators, and sometimes I wonder—I want you to know I am a friend of this administration. I am not attacking this administration. We have supported this administration—whether or not they take into account people.

All I hear is negotiated agreements. Our people do not appear in these negotiations, they are on the outside looking in. They are not taken into the rooms where the negotiations are going on.

We have a member of our staff who is in charge of our trade problems sitting in Geneva and he sits on the outside of these negotiating sessions and has very little to say about what is going on on the inside of those negotiations with foreign countries.

I also noticed with interest this morning that one of the ways to control inflation is to permit imports into our country because they are supposed to be cheaper and our people here in our country can buy them at less than what an American manufacturer can make them for.

Last Friday afternoon, or last Friday evening, my wife insisted I buy some shirts, so we went into Woodies up on Wisconsin Avenue, and in looking around for shirts we bought an American shirt for me. I don't know who makes it, but it is an American-made shirt retailing in Woodies for $15, a short-sleeve sport shirt.

I went over to the next counter and this intrigued me, it is a colorful thing. I bought it and my wife spotted it. She says to me, "What are you doing?" And I said, "Why?" She says, "Take a look, it is 'Made in Taiwan.'" I said, "We ought to get a pretty good break on it," not that I would have bought it once she showed me that, but I bought it anyway, and in looking at the price tag on this one it retails for $16. They are both polyester-cotton.

And I wonder just what is going on in this country when groups of importers and Consumers Union and other groups interested in consumer problems try to sell to the American people this idea that imports are cheaper and can help in the cause of controlling inflation.

Here is a striking example, and I suppose I could have gone through Woodies and saw this, these items, not only in men's shirts but probably in women's sportswear, suiting, you name it, and I would like to see this committee, maybe you ought to make an investigation about what is the markup.

I know an American worker in our union making this shirt is being paid between $3.75 and $4.25 an hour on the incentive system. Taiwan, 30 cents, 40 cents an hour. Ask me how we can compete against this. And the markup is even 50 cents higher than the American-made shirt. Fifty cents higher.

This morning while sitting at the hearings downstairs my office notified me, and I am sorry Congressman Frenzel is not here, that Cluett Peabody, makers of Arrow Shirts, a very famous name in American shirts, have just announced the closing down of two more shirt factories in his State. The one in Eveleth, Minn., and one in Virginia, Minn., employ 500 people, two small communities I have never heard of before, and I can tell you probably the only manufacturing plants in those communities.

And I can imagine what a nice vacation this is—they are out on vacation—and when they get back, their plants are closed and this is the competition that Cluett Peabody and Arrow Shirt has to compete with, this one here.

In addition to that, this Congress has to make up its mind, in my opinion, and look at this problem of freight and depth. I heard the discussions this morning between the Congressman from Minnesota and the panel representing industry about the splitting up of this problem between apparel and textile.

Well, anybody who knows anything about the textile industry or the apparel industry, they are interdependent. You heard the representative of the American Apparel Association. If the apparel industries in this country—the textile industry cannot sell cloth to them, it is as simple as all of that, and we are on the verge of what is, the probable word is of being an endangered species, and probably if this thing continues in the next 5, 6 or 7 years, we are not going to have an apparel industry and we will have a very small textile industry.

So I would like to urge this subcommittee of the House Ways and Means Committee that this better not be treated lightly, that on this particular problem the American labor and the textile apparel industry are united.

As you know, there was a press conference around here last week or the week before where George Meany for the first time appeared at a panel with industry and labor and enunciated the policy of the AFL-CIO on this business of textile apparel trade insofar as it affects our particular problem.

We are not only being hit by this, but even the Defense Department. I got a call last week from Xenia, Ohio, the chairman's home State, where we have a rope and cordage plant employing some 200 people. They were the low bidders on a contract involving twine and cord for the Defense Department. They could not get it because they have to import more than 50 percent of the raw fiber to make this rope and cordage.

But where do they give it? They gave it to a company in Canada, at a higher cost to the American people, who also import the fiber from overseas, but something in the Buy American Act, and I don't understand it, said that if an American company does not use American-made fibers or something, 50 percent or under, they are not eligible for this particular bid.

Now, I have the statements here. Congressman Brown of Ohio is working on this and Senators Metzenbaum and Glenn of Ohio are working on this problem. You know, you talk to people back in the shop, they don't understand this kind of English. They want to know what is our Government trying to do to us.

And I want to urge in conclusion that this committee take this problem seriously. We intend to help you all we can with our lobbying effort up on this Hill in getting our people aroused on this problem. And you don't have to arouse them, all you have to do—you know, our union 1 year ago last May in conjunction with my colleague from the ILS, we shut down our industry for 1 day in the apparel division to bring to the American people the plight of our people in the cities across this country.

Do we have to do that again? I hope not. But if that is what we have to do to wake up our elected representatives to the problem we are faced with, we don't intend to die without a fight. And we are going to insist that this problem be looked at, and if we were here advocating that we don't want to trade with our foreign friends, I would think we would have to have our heads examined.

But, boy, you cannot put bread and butter on that table, Congressman, when you don't have a job. And then when you put them on welfare, then everybody starts to scream about these bums who don't want to work for a living; they are out there on welfare.

What do you expect people to do? Our American people, and I am a first generation American from an Italian family, we are proud people, we want work, not handouts. And the people who I represent feel the same way. They want jobs at a decent wage level, and decent benefits, so they can bring their children up in this country to be proud Americans, and that is what is at stake in this fight.

And if our trade negotiators don't understand that, then somebody has to shake them up, and I hope you, Congressman Holland, and your colleagues, will make sure this fight is continued in the Congress and that some relief be given to us through legislation.

We don't relish this business of coming up before this committee and urging the Congress to take care of us. The President has the authority to do it sitting in the White House, and so do his people, but they evidently, for reasons best known to themselves, don't want to address themselves to this problem so we have to appeal to our elected representatives to give us some relief by legislation.

And thank you for listening to my remarks.

[The prepared statement follows:]

Testimony of William DuChessi, Executive Vice President, Amalgamated Clothing & Textile Workers Union, AFL–CIO

I am William DuChessi, Executive Vice President of the Amalgamated Clothing and Textile Workers Union, AFL–CIO. Among the half million members of our union are the workers who produce men's and boys' apparel and textile mill products.

I am here today in support of H.R. 10853 and the many other bills identical to it which have been introduced by some 170 members of the House.

In a way it is regrettable that it is necessary for the Congress to be concerned with this legislation which will put into law what the Executive Branch has the discretion to do. But the workers and management in the fiber/textile/apparel industry see no alternative at this time to Congressional action to exempt the products of our industry from tariff cuts in the Multilateral Trade Negotiations. We urge this subcommittee to report out this bill favorably and we call upon the subcommittee's members to work for its passage.

Our union, among other groups, had endorsed the efforts of the Administration to negotiate more realistic bilateral agreements on textiles and apparel with those foreign countries which supply the bulk of U.S. imports of textiles and apparel. We applauded the results of negotiations concluded earlier this year which brought about "tougher" terms intended to reduce the volume of imports into the United States. The new bilateral agreements for example, with Hong Kong, Korea, and Taiwan provided no increase in 1978 quotas from the levels of 1977.

Unfortunately, our hopes that there would be, at the very least, a leveling off of imports have turned out to be ill founded. Not only has injurious import growth not been curtailed but imports have skyrocketed in the first four months of this year.

RISING IMPORTS AND WORSENING TRADE DEFICIT HURTING U.S. LABOR AND INDUSTRY

Let me cite a few numbers for the Committee. Imports of apparel were up 27 percent in this four month period over the same period of a year ago. Imports of fabrics were up 38 percent. Imports of yarns were up 44 percent. The tremendous growth in apparel imports this year follows the record high level of apparel imports of 1977.

In some of the most critical items of men's and boys' apparel, the increases in imports during the first four months of 1978 were shocking. Imports of sport coats increased 63 percent over the same period of a year earlier. Imports of trousers increased 70 percent. Imports of outercoats and raincoats increased 45 percent. Imports of shirts increased 18 percent. Imports of suits increased 7 percent.

Total textile and apparel imports in the four month period of over 2 billion square yard equivalents represented a level, if annualized, well ahead of the total for all of 1977 of 5.2 billion square yard equivalents. At this rate 1978 imports will reach a new high, severely impacting an industry already injured by imports.

The impact on the trade deficit in textiles and apparel is equally shocking. In the first four months of this year this deficit was $1.3 billion, an increase of almost 100 percent over the $686 million deficit registered in the same period a year earlier. The trade performance thus far in 1978 follows a record trade deficit in 1977 for textiles and apparel of $3.2 billion.

As these figures clearly show, the apparel sector of the textile and apparel industry has been a major contributor to the ever-increasing burden of a massive trade deficit under which the U.S. economy has been struggling. Already through the first five months of 1978 the overall U.S. deficit in merchandise trade is 79 percent higher than for the same period of 1977.

Now, it is finally becoming increasingly obvious to everyone, as increased imports affect not just our industry but many others as well, that the U.S. trade deficit cannot be explained away merely by oil imports. In fact, through the first five months of 1978, U.S. imports of oil amounted to $15.7 billion, while imports of consumer goods, which include textile and apparel products, totaled $19.2 billion. More and more industries and workers are coming to learn of the injury that results from severe import penetration—the same import-related injury which has afflicted the men's and boys' apparel industry and its workers for years.

A massive trade deficit, whether in textile and apparel products or for the entire economy, is not an abstract concept, not merely a set of statistics. It is a measure of the increasing gap between the amount of goods we import and the goods we export. And a rising deficit means decreased production at home and the loss of jobs for American workers.

The impact on jobs in our industry of these massive increases in imports of textiles and apparel has been most serious. Apparel employment had already fallen by 118,000 jobs between 1968 and 1977. Half of this decline in employment occurred since the first year in which the Multifiber Arrangement was in effect.

In the men's and boys' tailored clothing industry the decline in employment as result of growing imports has been no less dramatic. For example, in 1967 the number of workers producing men's and boys' suits and coats totaled 130,700 jobs. By 1974, the first year of the MFA, employment in this sector of the apparel industry had declined to 102,600. Since 1974 employment has fallen even further to 87,900 jobs last year. Thus, this segment of the men's and boys' tailored clothing industry has lost some 43,000 jobs, a third of the labor force, over the last 10 years. In the first four months of this year, Labor Department data indicate that another 1,800 jobs were lost resulting in total employment as of April of only 86,100 workers.

II. THE MTN WILL ONLY WORSEN THE SITUATION

The United States because of its ideals and commitments to other countries in the world, both developed and developing, has been single-handedly trying to pull many foreign economies out of the lingering effects of the 1975 recession and to provide the fuel for export-led growth in many less-developed economies. All of this strain, however, has weakened the productive performance of the U.S. economy and will continue to cost many of our workers their jobs.

In the fact of this declining trade performance, workers in the U.S. textile and apparel industry are now further threatened by the prospect of substantial tariff cuts being offered by our own government in the current round of Multilateral Trade Negotations. while imports have been growing so dramatically and the number of jobs in this industry has been declining so seriously, negotiations are proceeding in Geneva which, in our judgment, can only have the effect of bringing about further increases in imports and further losses in jobs. The effect of prospective tariff cuts which our workers now face are so glum that in an econometric analysis presented to the Executive Branch 10 months ago, our union forecast that for only 13 selected items of men's and boys' apparel, the tariff cuts being contemplated would cause a further loss of 14,000 jobs. We extrapolated from this figure to all men's and boys' apparel and concluded that some 60,000 jobs were at stake in our sector of the apparel industry alone. That is the prospect our workers face in Geneva

H.R. 10853 and the other identical bills before this subcommittee are the only hope left for the workers and firms in the fiber/textile/apparel industry. We have petitioned the Administration not to cut the tariffs of this industry. We have explained that it does not make sense, on one hand, for import relief to be granted to the textile and apparel industry through the Multifiber Arrangement and the 18 bilateral agreements negotiated under the MFA, and, on the other hand, to have that import relief vitiated by cutting the tariffs on the products of our industry., We have said to the Administration that the Trade Act of 1974 excludes industries which receive import relief under the escape clause or under the national security clause from tariff cuts in the Multilateral Trade Negotiations. We have said that if this philosophy is correct, which we earnestly believe to be the case, for footwear, color television sets, specialty steel, and CB radios, it is also correct for textiles and apparel. Indeed the textile and apparel industry with its almost 2.5 million workers has a labor force substantially in excess of the combined labor force of the four industries which have already received import relief under the Trade Act and which are automatically excluded from the MTN.

Unless textiles and apparel are excluded from the trade negotiations we foresee increased imports from countries not now controlled under the MFA. As the Committee knows, there are no global quotas in place under the MFA. The history of controls on imports of textiles and apparel over the last many years has been that whenever a country's exports of textiles and apparel are controlled, importers seek out and find a new foreign supplying country. By the time the Executive Branch gets around to taking action to control such imports, the volume of such trade has reached disruptive proportions. Expeditious action has never been taken to limit imports from uncontrolled sources.

Furthermore, we foresee that imports will increase from countries already under control. This will come about either by relaxation of quotas as imports bump up against existing ceilings, or by the use of the substantial "overhangs" in the existing bilateral agreements which up to now have not been utilized. Here, too, the record of the textile import program has been that, under pressure from foreign governments, when imports have reached the ceilings specified in agreements with the United states, our government has asquiesced in relaxing the controls, sometimes charging the extra amount of imports to the following year's quotas. The "overhang" problem is a serious one. Present ceilings under bilateral agreements provide for imports probably 30 percent higher than actual imports last year. That "overhang" would be fully utilized if tariffs are cut as contemplated by the Executive branch.

We know from past experience that this will be the case. Immediately after the Kennedy round was concluded imports of textiles and apparel increased substantially. Between 1967, the year in which the Kennedy round negotiations were concluded, and 1972, the final year in which the tariff cuts were phased in, textile and apparel imports increased by 140 percent, from 2.6 to 6.2 billion square yard equivalents. This was an annual growth rate of over 19 percent. During the same period, U.S. production of these products grew less than 5 percent a year, which in itself was a higher growth rate than we have experienced historically in the textile and apparel industry.

And we also know from the sad experience of other industries that injury caused by imports is not easily rectified, notwithstanding the language of the escape clause of the Trade Act of 1974 and the intent of Congress when it wrote these sections into that statute. Certainly a record of import relief for only 4 industries out of 31 escape clause cases which have been concluded to date under the 1974 Trade Act is an abysmal one. The promises made in 1973 and 1974 when this language was being written never contemplated that only 13 percent of the escape clause petitions would result in import relief. Our industry and its workers cannot find any solace in the thought that errors made in Geneva negotiations can be corrected through the escape clause.

III. THE MTN HOLDS LITTLE CHANCE FOR BENEFIT TO OUR INDUSTRY

The prospects of real benefit from large tariff cuts on textile and apparel products are poor indeed. Any "opening up" of the textile and apparel markets in Japan or the European Community which has been suggested by the Administration will merely create a greater opportunity for the major textile and apparel suppliers such as Hong Kong, Korea, and Taiwan, not the U.S. How can anyone believe that U.S. apparel products will out-compete these low-cost suppliers in the major developed economics of Japan or Europe when our own domestically-produced apparel products are having trouble competing here in the U.S. market? Increased exports for U.S. firms will not be a real possibility after tariff cuts.

Other more subtle factors are at work which will prevent real gains to the U.S. from substantial tariff liberalization. First, our major developed trading partners are simply unable to offer the same degree of concessions which the U.S. offers. This is due to the extensive use of the value-added tax by other countries, and the subsequently different method of calculating tariffs which results. Second, there is the notorious problem of non-tariff barriers (NTB's) which has and continues to prevent the expansion of U.S. exports. Those NTB's which might be eliminated in the current MTN can easily and readily be replaced by any number of other unforeseen and as yet uncreated NTB's. It would be very naive to believe that non-tariff barriers will miraculously disappear after the MTN.

The international codes on subsidies and on government procurement are of particular concern to us. We see no gain for the workers in our industry to allow U.S. Government purchases of uniforms and other clothing items to be opened to world-wide procurement when we know full well that we will never be able to sell American-made apparel on a competitive basis to any other market of the world because of the difference in costs. At the same time we will be losing the important share of U.S. Government business which the domestic industry now enjoys.

The international subsidy and countervailing duty code is another point of serious concern. Our union filed eight countervailing duty petitions last November pointing out that exports of men's and boys' clothing and textile mill products from Korea, Taiwan, India, the Philippines, Argentina, Uruguay, Brazil, and Colombia were being subsidized by the governments of those countries. About a month ago, the Treasury Department agreed with us on a preliminary basis that all eight of those governments were subsidizing these exports to the United States. In one case, Korea, treasury found the amount of subsidy to be *de minimis*. but they announced preliminary affirmative determinations in the other seven cases. Just ten days ago our union filed five more countervailing duty petitions pointing out that men's and boys' apparel and textile mill products exported by Malaysia, Singapore, Pakistan, Thailand, and Mexico were also being subsidized by the governments of those countries.

Under the present statute it is not necessary for our union to appear before the International Trade Commission to show injury from subsidies on those products when an affirmative determination is made by Treasury. The time and expense involved in appearing before the ITC are so great that an injury test for this large number of petitions, notwithstanding the subsidy practices engaged in by the foreign governments concerned, could be a hardship on our union and its members. Injury clearly exists when unfair trade practices such as subsidies are engaged in by foreign governments. Yet the Administration is proceeding with a full head of steam to agree to an international code which would require an injury investigation before any countervailing duty is established.

We also understand that the countervailing duty code being negotiated in Geneva would allow developing countries a period of grace before they would be required to conform to the no-subsidy rules of the code. But it is exactly the developing countries which are the low-cost countries that are creating the biggest problem for our industry. Accordingly, we are opposed to this code now being negotiated, and when it is brought back to Congress for your approval we will again make our views known to you.

IV. THE U.S. POSITION IN THE MTN REFLECTS MISGUIDED GOVERNMENT POLICIES

One brutal fact which the workers of our industry have come to realize, a fact which is evidenced by the major tariff concession the United States may be offering on textile and apparel products and the United States stance on codes of conduct, is the United States policy of actively discouraging labor-intensive industries in the United States and encouraging their development abroad.

Without the Administration saying so in so many words, we are confronted with an implicit decision that certain industries, including the textile and apparel industry of the United States, are to be considered expendable. We are being sacrificed for the sake of a free trade philosophy that is practiced by no other country in this world except the United States. We are being sacrificed without regard to the impact which our workers will bear.

The final result of such a policy on the economy as a whole, aside from the dislocation of hundreds of thousands of American workers, will be two-fold. First, we will become increasingly dependent on foreign suppliers for more and more essential products and, second, it will create an economy further dependent on the service sector. Such trends lead us away from the basic productive strength which underlies any truly healthy national economic system.

The irony of this policy, as well as of the major tariff reductions which could result from the MTN, is that the poorest and least advantaged portion of the United States labor force will be forced to make the most sacrifice. The rigid adherence by the Administration to free trade shibboleths will result in suffering to those least able to withstand it. Where does the Puerto Rican working in Manhattan, speaking almost no English, not having completed even high school, find a new job? How can the cotton farmer, whose family, home, and roots are in Georgia or South Carolina, move to Seattle, Washington or Schenectady, New York in the hope that a job may be available there?

V. CONCLUSION

The trade figures for the first four months of this year already show what tremendous import increases can occur even without tariff reductions and even with the "relief" provided by the bilateral agreements negotiated under the MFA.

The firms and workers in the apparel sector of the textile and apparel industry have heard that the tariff cuts on apparel items will not be too bad. In view of the current state of our industry, we ask what tariff cuts are not bad? Certain sectors of the industry could be virtually eliminated by even partial cuts, which would merely be the straw that breaks the camel's back.

To workers who lose their jobs or firms which go out of business because of the MTN, the "cut" will be a full 100 percent—not 4 percent or 10 percent. And the effects will be most immediate and painful. You cannot "phase in" unemployment.

Despite our best efforts, the Executive Branch has not been persuaded to exempt the products of the textile and apparel industry from tariff cuts in Geneva. Only because our import relief—the MFA and the 18 bilateral or orderly marketing agreements negotiated under it—is based on Section 204 of the Agricultural Act of 1956, and not based on Section 127(b) of the Trade Act of 1974, are we fully exposed to damaging tariff cuts?

This inequity stands in *direct* opposition to the recognition by Congress of the import sensitivity of our industry, which led to the exemption of textiles and apparel from duty-free GSP treatment.

Our industry has borne an inordinate burden of import increases in the past. Nevertheless, our industry is being offered virtually as the major United States sacrifice to international trade in the current MTN. We feel that our firms and workers deserve more than this, and we urge you to act favorably and expeditiously on H.R. 10853.

Mr. HOLLAND. Thank you, Mr. DuChessi. We appreciate your insight and your assistance on this matter.

I was intrigued by the administration. I believe they said this morning they had only lost 76,000 jobs in the last 10 years, and the Brookings Institution says we are only going to lose 41,000 more.

Do you have any figures on the number of people actually out of work?

Mr. DUCHESSI. Yes, we have it in the statement as prepared, sir. We have 365,000 people out of work and on short time at this moment in life—365,000.

Then let me finish something I had forgotten, if I may, Congressman. I would like to put into the record, with the permission of the committee, a story that appeared in the Daily News Record, an industry publication, headlined "U.S.-China Talks on Textile Trade Urged" by a Mr. Raleigh, dated June 28, and the point I want to bring out in this newspaper story—you know, we have had quite a discussion this morning on the possibility of what is going to happen to us when we open the doors to the People's Republic of China. Textile workers earn $37.12 a month, and all you are entitled to is a pension at age 60. And I suppose they need one at age 60. They are probably so overworked they don't enjoy the life they live—where with our know-how we live a little longer—and they will receive 70 percent of the $37.12 of base pay at the time they retire at age 60.

Now, I would like to put this into the record with the permission of the committee for the committee to study, and this is even a bigger threat.

Now it is all right for them to say to us, well, we don't have any trade negotiations, but in due course of time we will sit down and work out some agreements. But just open up another door and when Red China begins to move, we are really going to have our hands full in textile imports into this country and probably apparel, too, because if there is one thing they have in China, it is people, and manpower, and probably more people than—well, as the figures show, they have got approaching the billion mark in the human beings in that country, I believe. So that is another problem.

It is all right to push it off and say we will worry about it at that time. At that time we might not be around to worry about it.

Mr. HOLLAND. Thank you very much.

Mr. Daniels.

STATEMENT OF WILBUR P. DANIELS, EXECUTIVE VICE PRESIDENT, INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Mr. DANIELS. My name is Wilbur Daniels. I am the executive vice president of the International Ladies' Garment Workers' Union. I am accompanied this afternoon by our vice president, Evelyn Dubrow, and by our director of research, Dr. Lazare Teper.

I appear before you to endorse, and endorse very strongly, H.R. 10853. We would very much have preferred not having to be here. We would have preferred that the executive branch had acted on its own initiative to exclude textile and apparel tariffs from further cuts, but we are here today because we are left literally with no choice.

Mr. Holland, our very survival is now at stake, and you have had a great many figures this afternoon.

Let me just add two more. In 1961, only 4 women's and children's garments were imported for every 100 made here in the United States. Last year 34 garments were brought in for every 100 domestically made, and today that figure is substantially higher. No matter what Mr. Smith says, no matter what Mr. Shepherd says, those figures will simply not go away. We have gone from a ratio of 4 to 100 to more than 34 to 100, and that figure has been exceeded by many individual items.

While imports have been skyrocketing, domestic production has suffered too.

You had asked a question about employment. By the end of last year, employment of production workers in our industry was more than 50 percent below the 1969 peak. Man-hours spent by workers in garment shops were more than 16 percent below the 1966 peak. The problem is not going away. The problem is increasingly acute. It is for this reason that we find it difficult to understand that existing duties are now being considered for reduction. All that would happen, if that were to take place, would be that we would face accelerated imports, production declines at home, and more and more unemployment. And the multifiber arrangement in bilateral agreements are not the answer because there are several loopholes.

The first one is that we do not have agreements with about 82 of the 100 nations that actually ship goods to the United States, and all that we need is a decrease in tariff duties to accelerate both the number of countries with which we don't have agreements and the amount of imports that would be coming in.

The second loophole is that even with the bilateral agreements, the increases that have taken place have gone way beyond the annual 6 percent growth rate. Tariff reductions mean only one thing, they mean lower prices for the importers. Domestic producers are now required to compete with garments made under totally unfair competitive conditions, particularly those involving wages. Further tariff cuts would increase that competitive disadvantage.

What does that mean for us?

It means more and more jobs lost. And the jobs involve not just figures, not just Brookings Institution figures, or Department of Labor figures, they involve actual human beings. Eighty percent of the labor force in our industry are women. Many of those workers are in minority groups. But let us not be misled. This is not a New York City problem alone. It is a New York City problem, but not a New York City problem alone. It is a Philadelphia problem, Los Angeles problem, Chicago problem, Alabama problem.

It is a significant urban problem, where much of the apparel industry is located, but increasingly that industry has migrated to other areas, to rural and semirural areas, so it is a Southern problem, a Western problem, a Midwestern problem, a Northern problem. It is a rural town problem. It is a problem in Mississippi. It is a problem for the wife of the farmer who enables him to survive by going out to work in the garment shop in Mississippi. It is, in short, a completely American problem.

It hits every area, every type of worker, every type of city, every type of rural area, and if not for imports, we would today in the women's and children's industry alone be providing approximately an additional 187,000 jobs to workers in all those areas over the United States. To cut imports further would mean that we would be depriving those workers who are now employed in what is America's single largest employing industry, depriving them of even more job opportunities.

I would like to turn to a number of items that were raised earlier in this hearing. I am not quite sure what world Mr. Smith and Mr. Shepherd live in. I do know they don't live in my world. I do know they don't live in what I think is the real world.

To suggest that things would improve certainly does not describe the apparel industry. The trade deficit in apparel in the first 5 months exceeds $1.5 billion, and at the rate it is going, we will have an annual deficit of $3.8 billion. That simply is, under any definition I am aware of, no improvement at all.

I want also to indicate that we are part of the complex textile and apparel industry. An attempt to divide us really does not make much sense. The deficit in the apparel industry of $3.8 billion involves garments made of fabric. That fabric is not made here in the United States. That fabric is made abroad, so that when we describe a trade deficit in the apparel industry, it cannot really logically, realistically, be divided from a deficit in the textile industry. It is simply another form in which fabrics are being imported. Instead of being imported on a roll, they are imported in the form of an apparel, but it is still a deficit that applies with as much force to the textile industry as it does to the apparel industry.

I heard both Mr. Smith and Mr. Shepherd say that any attempt to take the textile and apparel industry out of the current negotiations would create some dangerous precedents. Well, let me point out that there has been special consideration for that complex of industries over the last decade or so that really has not created any wild rush of precedence in other industries, and I don't see what evidence there is that things would change if an exception were made in this instance, how it would change from the fact that no precedent was created earlier.

One of the things that Mr. Smith did not indicate is the fact that———

Mr. HOLLAND. I apologize. I am going to have to interrupt you and run over to vote, and we have a series of votes under suspension. We will find it necessary to recess until 2:30.

Mr. MICHAEL DANIELS. Mr. Chairman, I am scheduled to testify on the third panel. May I ask that my statement be incorporated as if read?

Mr. HOLLAND. Yes.

[Recess.]

Mr. VANIK. The subcommittee will be in order.

Mr. Daniels, we will be happy to hear the remainder of your statement.

Mr. DANIELS. Thank you.

A number of questions were raised about the possibility of the textile and apparel industry exporting, and I would like to comment on that briefly.

There is one major disadvantage against the American exports of textiles apparel to foreign countries which has not been touched on and which I would like to describe very briefly. This has to do with the way both the United States and foreign countries treat the value added tax.

For example, if we compare charges we levy on French goods exported to this country with charges that the French levy on identical goods exported from the United States to France, we find the following: If French goods valued at $100 are sent here, the total landed value is $110.35. If U.S. apparel valued at the same amount is sent to France, the total landed value is $139. This is the result of a complex result of the value added tax.

With the committee's permission, I would like to submit a supplemental statement and some tables outlining this.

Mr. VANIK. Without objection, the additional material will be included in the record.

Mr. DANIELS. Thank you.

My colleague, Mr. DuChessi, brought some rather vivid evidence both in color and substance to this committee on the shirts that he purchased, one being U.S. made and the other being foreign made, both selling at approximately the same price.

I would remind the committee that on several occasions we have brought forward evidence very much like that, perhaps even more vivid, and that is items made by one company, the very same brassiere made of the very same fabric, the very same style, the very same number of stitches, identical in all respects except that one was made in Mexico, where wage rates were at that point about one-tenth of what they were in the United States, and the other made in the United States. Both were retailed at exactly the same price.

That brings me to some items before this committee that I anticipate will be raised later in this session, that is, the impact of imports on the consumer. In theory the consumer should benefit. In practice the consumer has not. If one looks at the retail prices of apparel in the United States, you would expect that, with the increase, the very startling increase in imports, prices would have gone down. In fact they have not, and they have not for a very simple reason: Lower price imports have benefited the retailer, not the consumer, and that is evidenced in one simple set of figures. In 1961, the markup on list price for women's and children's wear by retail establishments was 64 percent. In 1976, and this is the period during which there has been a vast increase in imports, the markup has gone up to 93 percent. That is where the profit comes in. That is where the advantage comes in, to the retailer, not to the consumer, and indeed, it is forgotten that when imports come in and they leave hundreds of thousands of workers unemployed, many of those workers, because of the nature of the labor force, because of their location, are forced to go on welfare. And it must be remembered that the taxpayer is a consumer. The consumer is a taxpayer. The consumer pays for that in his taxes directly and indirectly.

I would like to conclude by reminding the committee that from where we sit what is involved is human beings, their futures, their families' futures, their children's futures. What is involved are human beings in one-shop towns, in rural and semirural areas, human beings who when they are put out of work have no other recourses, human beings in urban areas like New York, Philadelphia, Los Angeles, Miami, who when they lose jobs equally do not have recourse for other employment.

Most of those people are employed in cities where manufacturing employment is declining, not increasing. Those displaced workers cannot easily take on other positions. It is rather difficult for a garment worker to become a Brookings Institution economist, or even an IBM operator and programer. They are for the most part marginal workers, beginning workers, workers who have come at the threshold of their employment careers and who are not easily transferred to other jobs. And when Mr. Cline talks about 46,000 workers, a figure which I think we would all be prepared to dispute because, so far as we can see, his conclusions are based upon a pyramid of one assumption on top of another incorrect assumption on top of yet another one, they are 46,000 human beings, and when we talk about 189,000 job opportunities lost, those are 189,000 human beings. They are marginal workers. They are workers who cannot get other jobs easily.

And what is the answer? Whatever the answer is, I don't believe it is further tariff cuts and further unemployment.

Thank you.

[The prepared statement follows:]

STATEMENT ON BEHALF OF THE INTERNATIONAL LADIES GARMENT WORKERS' UNION, AFL-CIO, BY WILBUR DANIELS, EXECUTIVE VICE PRESIDENT, INTERNATIONAL LADIES GARMENT WORKERS' UNION

My name is Wilbur Daniels. I am the executive vice president of the International Ladies Garment Workers' Union, AFL—CIO. I appear before you on behalf of our 350,000 members in the United States and Puerto Rico who have seen their brother and sister workers lose jobs because of imports, and who themselves are in jeopardy of losing their jobs. We fully endorse H.R. 10853 or similar bills which would exclude textile and apparel products from the tariff-cutting negotiations now under way in Geneva.

Given the present status of the textile and apparel industry in the United States it seems paradoxical, to say the least, that my colleagues and I should have to seek a legislative solution. But the executive branch has failed to recognize fully the disastrous situation facing our industry. We would have preferred that the executive branch had acted on its own initiative to exclude textile/apparel tariffs from further cuts. We are here today because we are left out with no choice. Our very survival is at stake.

Let us look at some of the facts.

Between 1961 and 1977, imports of women's and children's apparel, expressed in equivalent square yards of fabrics used in their manufacture, increased 770 percent. Imports this year have zoomed even further.

In 1961, only 4 women's and children's garments were imported for every 100 made here in the United States. Last year 34 garments were brought in for every 100 domestically made. Today the figure is substantially higher.

For many items of women's and children's apparel the import penetration ratio far exceeds the average. Let me cite a few of these horrendous figures for 1977:

1. 125 sweaters imported for every 100 made in the United States.
2. 98 knit shirts imported for every 100 made in the United States.
3. 56 brassieres imported for every 100 made in the United States.
4. 55 coats and jackets imported for every 100 made in the United States.
5. 52 raincoats imported for every 100 made in the United States.

While imports have been skyrocketing, domestic production has suffered. The physical volume of output of domestic women's and children's apparel was only 2.5 percent higher in 1977 than in 1961 and was 13.2 percent below its peak in 1972.

Employment of production workers in our industry in 1977 was 6.4 percent below 1961 and 15.2 percent below the 1969 peak. Manhours spent by the workers in the shops in 1977 were 5.6 percent below their 1961 level and 16.1 percent below their 1966 peak.

In light of these disastrous facts, it is beyond belief that the existing duties have even been considered for reduction. Such an act would leave our industry to face accelerated imports, production declines at home, and the unemployment that would unavoidably result.

True, the administration has relied in part on the theory that the existence of the Multifiber Arrangement and the bilateral agreements with the several exporting nations will prevent undue increases in imports as a basis for its tariff cutting proposals. But the facts show that this rationale does not hold. A reduction in tariffs will inevitably lead to a substantial increase in imports and subvert the intentions of the agreements. This will happen in several ways.

The first major loophole is the fact that the United States has bilateral agreements restricting textile and apparel imports with only 18 out of some 100 nations that actually ship goods to the United States. While the agreements cover many of the large shippers, new entrants into this trade can and will rapidly expand their shipments to the United States. There is no doubt that a duty reduction would speed up this process. In the past, the failure of the U.S. Government to act promptly when uncontrolled shipments rose significantly has led to injury to domestic industry. This process would merely be aggravated if duties were reduced.

The second loophole is the degree to which shipments from controlled countries can rise beyond the annual 6 percent growth rate provided under the MFA. The possibilities are many. Quotas keep rising each year even though not fully utilized; a pickup in demand for imports of a given type may lead to a huge increase in their importation before the ceiling is reached. Flexibility provisions—borrowing from one year to another or from one product to another—also permit imports of given items to exceed the basic growth rate. Some items are not subject to specific limitations but merely to consultation when certain levels are reached. Delayed action, plus the continued pressure of exporting nations for increases in these levels, once again permits imports to rise. It is naive not to understand that a reduction in duties will lead to a boom in imports and further damage to our industry.

If the tariff reductions now contemplated were actually carried out, the results would be disastrous. Tariff cuts are actually nothing more than a cut in the price charged by the exporter for his goods. Domestic producers are now forced to compete with garments made in the low wage areas of the globe. The labor-intensive nature of garment production enhances the importance of wage differentials. American producers now must compete with a long list of subsidies to apparel producers in foreign countries. If, on top of this, a further price cut is put into effect, it will spell the doom of the U.S. apparel industry. Even in the absence of imports, the apparel industry in the United States is highly competitive. It is often a marginal business. Net profits average one to two percent of sales. It cannot withstand much more competitive pressure from abroad.

Numerous studies have been made of the potential loss of jobs if duties were reduced. While the studies differ on the number of jobs that will actually be lost, all of the research agrees on one thing—jobs will be lost.

These are jobs our Nation can ill afford to lose. Many of these displaced workers have few job alternatives. Some 80 percent are women. Many are members of minority groups. Many reside in rural communities where the apparel or textile plant represents the key source of manufacturing jobs in the area. Many workers are concentrated in urban centers where apparel or textile plants constitute a major base of the local economy. These workers have little opportunity for other employment, given their schooling, age and other personal characteristics. If not for imports, in women's and children's apparel alone, we could be providing an additional 187,000 workers with gainful employment. We dare not permit this number to increase.

We should not make the mistake of trading our remaining jobs for the promise of heightened exports, for that is all it is—a promise. Given the nature of the world's trading system, there is little likelihood that there will be a significant improvement in our Nation's apparel exports. Apart from ability to compete in terms of price against low wage nations, we are faced with an insurmountable host of nontariff barriers which prevent our goods from getting to foreign markets—licenses, credit restrictions, fees, regulations, et cetera. If other nations were to reduce their tariffs on our goods, they would still be prevented from entering their countries in fair amounts.

I must also share my concerns with you over some of the other matters being negotiated in Geneva. On the table are several international codes which if adopted could severely affect our industry and its workers just as surely as a tariff reduction would.

A *safeguards* code could undermine the MFA and the various bilateral agreements were it to encompass the MFA. The MFA and the bilaterals are a completely separate agreement and should remain so.

There would also be harmful effect if a *countervailing duty and subsidy code* were adopted. The United States is being pressured to accept a requirement that there be a finding of injury before a countervailing duty is imposed. This would mean unnecessary delay while the International Trade Commission conducts its investigation. The time and expense of defending the case would be a deterrent against such cases being filed. Such a requirement should not be negotiated.

Thirdly, a *Government procurement code* is being negotiated. Bidding on Government contracts would be open to all suppliers, domestic or foreign. In our industry where wage costs play so prominent a role, our domestic manufacturers would be at a clear disadvantage against low-wage producers in the Far East or Latin America. There would clearly be no opportunity for compensating gains in producing for foreign governments. Were such a code to be adopted, at the very minimum a provision should be made for excluding labor-intensive products such as textiles and apparel.

Let me sum up. In the light of the executive branch's failure to exclude textile and apparel products from the tariff-cutting negotiations now under way in Geneva, the only possible salvation for our industry is legislative action to accomplish this exclusion. This is what H.R. 10853 is all about.

I urge its prompt passage.

Mr. VANIK. I want to thank you very much.

During the last 9 months, industry and labor groups have filed numerous countervailing duty, antidumping cases.

Do you believe that enforcement of the existing trade laws would protect you against unfair trade practices, and if not, what changes would you make?

Mr. DANIELS. My colleague, Mr. Nehmer, would like to reply to that.

Mr. NEHMER. I am a consultant to the Amalgamated Clothing and Textile Workers Union.

Mr. VANIK. You have got some recommendations that were made in connection with our request for changes in the law.

Mr. NEHMER. I believe so, yes.

The Amalgamated has filed now 13 countervailing duty petitions, originally 8 in the beginning of November and 5 more about a week ago. We received preliminary, affirmative findings on seven of the eight.

The record of the Treasury Department's enforcement of the countervailing duty statute leaves, to say the least, much to be desired. The various provisions in the countervailing duty are being ignored by Treasury, a very simple one. They are missing statutory deadlines, for example. They are not fulfilling what is required there. They are netting out various taxes paid by industries to reduce the impact of countervailing duty which is then imposed, and then the waiver authority, which has been terrifically abused. I think if we have not submitted much of this in detail, we plan to do so for the committee.

Mr. VANIK. Is the problem of imports from European nonbilateral quota countries becoming more serious? Is the problem of imports from European and nonbilateral quota countries becoming more serious?

Mr. DANIELS. It has lately begun to be a potentially serious problem, particularly from countries like Portugal, Spain and Greece.

Mr. VANIK. When the committee resumes consideration of the administration's tax proposals, what provisions would best help the industry and labor in meeting foreign competition—the immediate expensing of OSHA and EPA, or research and development tax credits or capital gains?

Mr. DANIELS. I think some of the items that you suggest would be helpful, and we would be prepared, Mr. Chairman, to submit a statement to you later on specific items where we think it would be of help. Research and so on would be one of the areas, but we will submit such a statement to you.

Mr. VANIK. I would gather that you would rather we fine tune these incentives rather than spread them across the board——

Mr. DANIELS. Yes.

Mr. VANIK [continuing]. So that we would operate where they would have the greatest impact and produce the greatest amount of industrial activity.

Mr. DANIELS. Yes.

Mr. VANIK. Mr. Holland.

Mr. HOLLAND. Thank you, Mr. Chairman.

Mr. DuChessi has left the room. I just want to thank him and you, Mr. Daniels, for your good statements and your continuing interest in this problem.

As we move toward the conclusion of this hearing, I think what you have done is probably the best thing we could have done: Try to focus the general public attention on this very real problem. I was taken this morning by somebody mentioning the press coverage of the sudden loss of 5,000 jobs in one day in Ohio as being a banner headline matter, and the administration saying that only 76,000 textile related jobs were lost in 10 years, is to me far more tragic although more gradual. And I guess it is like comparing a plane crash which gets all the coverage, and 45,000 highway deaths that occur every year, there is just the difference in emphasis. I think as we bring this matter more to the public attention and frankly keep it in the political realm in this country, which you and your groups have done so much to bring about, will be about the best way we will get relief.

This bill Mr. Broyhill and I introduced isn't the entire answer, I am sure, but your cooperation and assistance have brought it to a point where it may be the beginning of the proper answer. And as we move along with the bill, I hope your interest will, and I am sure it will, continue, intensify, and help us educate the other people in the Congress as to just what a tragic human loss it is to have so many jobs and job opportunities lost by what, in my judgment, is not the neglect of this administration but the neglect of the previous administration, and the one before it. We are today reaping the tragedy.

I was looking at the figures on specialty steel, color television, footwear and CB radios. I don't want to see these figures textile applied to the apparel industry. That is what this bill is designed to do, help keep us out of that column.

I again thank you because you in all our committee hearings on this subject provided the kind of persuasive human-related argument we need so much in this particular instance.

Thank you again, Mr. Chairman.

Mr. DANIELS. Thank you, Mr. Holland. I can assure you that we will continue our interest because our very survival is at stake, and I can state both on behalf of the ILGWU and the Amalgamated in that respect our very survival, not just as an institution but as an industry, is at stake.

Mr. NEHMER. Let me add, if I may, Mr. Holland and Mr. Vanik, we are very grateful to both of you, Mr. Holland and Mr. Broyhill, for introducing this legislation and to you, Mr. Vanik, for holding these hearings. We consider this the beginning to move this problem ahead and we plan to work as hard as we can with you to see it bear fruit at this session of Congress. We are grateful to both of you.

Mr. VANIK. We thank you for your time and testimony. The next panel will be American Retail Federation, Herbert Strawbridge, president of Higbee Co.; William R. Cline, senior fellow, Brookings Institution, the American Importers Association, Mr. Michael P. Daniels, counsel; and the U.S. Council for an Open World Economy, David J. Steinberg, president.

The American Importers Association, Mr. Daniels, has submitted his statement for the record. It will be admitted without objection. Also, I regret that our running longer than planned has caused scheduling problems for Consumers Union, so we will enter their testimony in the record at this point.

[The following was submitted for the record:]

STATEMENT OF MICHAEL P. DANIELS ON BEHALF OF THE AMERICAN IMPORTERS ASSOCIATION

Mr. Chairman, members of the Committee, my name is Michael P. Daniels. I am a partner in the firm of Daniels, Houlihan & Palmeter of this City. I appear before the Committee today on behalf of the American Importers Association, of 420 Lexington Avenue, New York City. The American Importers Association is the recognized spokesman for importer interests with a memberhsip of over 1,100 firms engaged in importing. A substantial number of these firms are engaged in the importation of textiles and apparel which ar the subject of this bill. We would be pleased to supply a membership list should the Committee wish to examine the composition of our membership. It is inconvenient, however, to attach such a list to our testimony.

We are opposed to HR 10853 and 4 similar bills. We believe this legislation is based on a conceptual error; is absolutely unnecessary; represents a clear case of overreaching on the part of the textitle and apparel industries and their unions; would not be in the best interests of the United States in the Multilateral Trade Negotiations and if passed these exemptions would be paid for by other industries in the United States. Ultimately this legislation would be paid for by the American consumer.

The conceptual error which I refer to is the attempt by the proponents of this legislation to draw an analogy between those products which are subject to import relief pursuant to Section 201 of the Trade Act of 1974 (and therefore exempt from duty reduction by virtue of Section 127(b)) and products subject to negotiations under Section 204 of the Agricultural Act of 1956 as amended.

The analogy does not bear close analysis. In 201 proceedings relief is only granted when there is a finding of injury pursuant to an extensive investigation by the International Trade Commission, including staff investigation, public hearings and the collection of evidence and data by questionnaire and other methods. Such findings are subject to review by the Executive Branch which includes the initation of views by the Trade Policy Staff Committee and inter-agency deliberations up to the highest level of the United States government.

In negotiations conducted under the authority of Section 204 there is no requirement for any public or investigative proceedings nor is there any criteria of injury or indeed any other criteria for such action.

United States action under Section 204 is governed by the Multifiber Arrangement (MFA) as extended. Articles 3 and 4 of the MFA are the provisions under which restrictive actions are taken. There are standards and criteria for taking action under Article 3 which governs unilateral action, but there are practically no standards for Article 4 action, which is the authority under which bilateral agreements are negotiated, and which governs all of the restraints taken by the United States. The administration has never, and apparently will not make findings on injury or market disruption prior to taking such Article 4 action. Indeed the characteristic of American action under Article 4 has been the so-called comprehensive approach which covers all textile and apparel products whether or not there is any evidence of market disruption relating to any particular product. This has been a result strongly desired by the American industry since they thereby obtain protection for products where there clearly is no market disruption involved at all. If American textile restraints were all by way of Article 3, and if the United States prior to taking Article 3 action made findings of market disruption pursuant to the standards and criteria of the Multifiber Arrangement then perhaps there would be some analogy with Section 201 of the Trade Act governing safeguard actions. This is not, however, the way in which the United States operates its textile program. Therefore we believe that the attempt to equate 201 and Section 204 actions is indefensible.

It is ironic that in the Kennedy Round the textile and apparel industries were arguing against tariff cuts in the wool and man-made fiber sectors since these fiber sectors were not covered by the then Long-Term Arrangement on cotton textiles. In this round of negotiations they have reversed field and argue that because such arrangements are in place there should be no tariff reductions. The arguments advanced on behalf of this legislation then appear to be arguments of convenience and not of substance.

Even if the textile and apparel industries had a case for reduced reductions in duties from the formula approach agreed upon in Geneva or the exemption of particular products, this legislation represents an extreme and unnecessary approach to the problem. The Congress has set forth in the Trade Act of 1974 elaborate pre-negotiation procedures which have given these industries every opportunity to make their case and affect the fianl shape of the United States offer for duty reduction These have included intensive investigation by the International Trade Commission and procedures before the Executive Branch of government. As members of an ISAC committee, representatives of these industries have helped develop and have been privy to the offers made by the United States and have had full opportunity to comment upon them.

Indeed, our understanding is that the United States offer in the textile and apparel sectors is substantially less than the 40 percent reduction agreed upon in Geneva as the general rule and there are a substantial number of exemptions of particular products in the United States offer. We further understand that this offer is currently under review for further withdrawals. It appears to us that the procedures of the Trade Act represent more than adequate protection for these industries. Based upon our knowledge of the United States offer this industry has effectively presented its concerns and obtained extraordinary special treatment.

There is a very weak case against duty reduction for this industry. The textile and apparel industries are the most protected and, in our opinion, overprotected industries in the United States. The 18 bilateral agreements which the United States has negotiated under the authority of the MFA cover the bulk of our textile and apparel import trade, and, as stated by the administration, "only 6 percent of United States textile and apparel imports are from less developed countries with which we have no agreement." These agreements are extraordinarly restrictive. Again, as stated by the administration, imports from countries covered by these agreements grew by an average annual rate of only 0.7 percent between 1972 and 1977. In addition to the bilateral agreements textile products are completely exempted from the provisions relating to the generalized system of preferences (GSP). Exactly to the point of the bill before the Committee, the textile and apparel sectors have the highest duty structure of any major industrial group in the tariff schedules. Attached hereto is Table 1 which shows the value of United States imports for consumption by tariff schedule by ranges of ad valorem equivalents. Table 2 shows U.S. imports for consumption by tariff schedule, and proportions dutiable in various ranges of ad valorem equivalents. An examination of the tables substantiates our contention that these industries have the highest rate of duty protection of any industry in the United States. These duty levels are also considerably higher than duties on textile and apparel products by the other principal importing countries, the European Community and Japan. Attached hereto as Table 3 is a comparison of textile tariffs as computed by the European Commission showing the ad valorem equivalent of the United States duties substantially above that of the EEC and Japan. In the distribution of imports by the level of duties a very substantial proportion of the United States textile products are in the higher ranges above 20 percent with practically all of the EEC and Japanese duties under the 20 percent range. The recent ITC study on conversion of specific and compound rates of duty to ad valorem equivalents shows extraordinarily high individual duties in the textile schedules ranging up to an ad valorem equivalent of 122.8 percent for certain wool fabrics. The extremely low rates of duty existing in Japan and the EC have made this a difficult negotiation, since these countries are reluctant to reduce their duties further in the face of such extraordinarily high United States duties in these sectors.

Given these extraordinarily high rates of duties we believe that they should be subject to at least the formula duty reduction of 40 percent, a result which should be palatable to our economic interests, particularly since it is contemplated that these duty reductions will be staged over a long time period.

We believe that the Committee should bear clearly in mind that if this legislation is passed and the textile and apparel sectors are exempted from the Multilateral Trade Negotiations there is a substantial risk that the entire negotiations could fail.

It is also important to note that should this legislation be passed it will be other American industries who will pay the price. Under the rules in Geneva, exemptions made in one area must be made up by cuts in other areas so that other American industries will pay the price of greater exposure to import competition. The way we believe it will actually work in Geneva, however, is that withdrawals or derogations from the formula cut will be met with similar withdrawals and cuts on the part of our major trading partners and that it is not likely that these cuts will be confined to the textile area. Rather, we believe, withdrawals will be sought by our trading partners in areas of greatest interest to American exporters.

The question clearly before this Committee therfore, should it seriously consider this legislation, is whether it is worth sacrificing the interest of other industries with an export potential in order to grant such extraordinary protection to the textile and apparel sectors.

In the end the ultimate price of such exemption would be paid by the American consumer who has already faced rising prices for his clothes, a large item in family budgets.

In view of the shortness of time I will not burden the Committee with statistics bearing on the performance of this industry or the pattern of imports into the United States. Should the Committee desire we would be more than pleased to submit our analysis of the available data.

For the foregoing reasons we respectfully urge the Committee to take no action on this legislation.

TABLE 1

TABLE 1.—VALUE OF U.S. IMPORTS FOR CONSUMPTION, BY TARIFF SCHEDULE, BY RANGES OF AD VALOREM EQUIVALENTS, 1972

[In thousands of dollars]

Tariff category	Total	Duty free	Dutiable at— 0.1 to 5	5.1 to 10	10.1 to 15	15.1 to 20	20.1 to 30	30.1 to 40	40.1 to 49.9	50 or more	Dutiable but no AVE
1. Animal and vegetable products	8,003,459	3,232,339	968,747	2,949,623	512,764	159,252	36,950	36,346	18,064	25,305	63,369
2. Wood and paper; printed matter	3,850,536	3,029,721	211,733	335,527	28,022	241,886	3,617	30			
3. Textile fibers and textile products	3,358,654	353,294	32,502	366,959	298,984	534,625	650,843	985,455	135,505	457	30
4. Chemicals and related products	6,919,702	1,563,445	4,461,698	205,453	532,388	127,681	18,575	177	51	1	10,233
5. Nonmetallic minerals and products	1,739,070	744,635	444,704	118,087	179,632	77,221	135,477	15,640	924	22,750	
6. Metals and metal products	24,498,867	7,235,623	9,879,351	5,969,060	946,119	110,455	123,990	15,920	3	8,277	210,069
7. Miscellaneous products	5,215,681	392,397	855,518	2,465,855	556,611	581,348	267,986	70,773	3,884	735	20,574
8. Special classifications	1,183,893	1,144,321									39,572
9. Temporary modifications	512,457	90,617				392,393	14,326	6,536	2,036	6,549	
Total	55,282,319	17,786,392	16,854,253	12,410,564	3,054,520	2,225,561	1,251,764	1,130,877	160,467	64,074	343,847

Source: Compiled by the U.S. Tariff Commission from official statistics of the U.S. Department of Commerce.

Published by the U.S. Senate, Committee on Finance, "Analysis of the Trade Agreements Program and The Trade Reform Act of 1973," June, 1974.

TABLE 2

TABLE 2.—U.S. IMPORTS FOR CONSUMPTION, BY TARIFF SCHEDULE, PROPORTIONS DUTIABLE IN VARIOUS RANGES OF AD VALOREM EQUIVALENTS, 1972

[In percent]

Tariff category	Total	Duty free	Dutiable at— 0.1 to 5	5.1 to 10	10.1 to 15	15.1 to 20	20.1 to 30	30.1 to 40	40.1 to 49.9	50 or more	Dutiable but no AVE
1. Animal and vegetable products	100	40.4	12.1	36.8	6.5	2.0	0.5	0.5	0.2	0.3	0.8
2. Wool and paper; printed matter	100	78.7	5.5	8.7	.7	6.3	.1	(1)			
3. Textile fibers and textile products	100	10.5	1.0	10.9	8.9	15.9	19.4	29.3	4.1		
4. Chemicals and related products	100	22.6	64.5	3.0	7.7	1.8	.3	(1)	(1)	(1)	.1
5. Nonmetallic minerals and products	100	42.8	25.6	6.8	10.3	4.4	7.8	.9	.1	1.3	
6. Metals and metal products	100	29.5	40.3	24.4	3.9	.4	.5	(1)	(1)	(1)	.6
7. Miscellaneous products	100	7.5	16.4	47.3	10.7	11.1	5.1	1.4	.1	(1)	.4
8. Special classifications	100	96.7									3.3
9. Temporary modifications	100	17.7				76.5	2.3	1.3	.4	1.3	
Total	100	32.2	30.5	22.5	5.5	4.0	2.3	2.0	.3	.1	.6

[1] Less than 0.05 percent.

Source: Table 1.

Published by the U.S. Senate, Committee on Finance, "Analysis of the Trade Agreements Program and The Trade Reform Act of 1973," June, 1974.

TABLE 3

COMPARISON OF TEXTILE TARIFFS

I. Average tariffs

	EEC	USA	JAPAN
- All textile products			
- not weightend (1)	9.6 %	16.9 %	11.9 %
- weighted (2)	10.1 %	21.1 %	7.4 %
- tariff headings subject to duty			
- not weighted (1)	10.4 %	17.6 %	13.0 %
- weighted (2)	14.4 %	23.9 %	13.5 %

(1) Simple arithmetical average of rates

(2) mfn weighted average

II. Distribution of imports by volume : mfn origin

Leve' of duties	EEC		USA		JAPAN	
	AH	DH	AH	DH	AH	DH
0	30.0 %	-	12.0 %	-	45.0 %	-
0.1 % - 5.0 %	2.0 %	3.0 %	2.0 %	2.0 %	2.0 %	4.0 %
5.1 % - 10.0 %	13.0 %	19.0 %	12.0 %	14.0 %	18.0 %	33.0 %
10.1 % - 15.0 %	17.0 %	24.0 %	12.0 %	14.0 %	16.0 %	29.0 %
15.1 % - 20.0 %	38.0 %	54.0 %	11.0 %	12.0 %	12.0 %	21.0 %
20.1 % - 25.0 %	0.3 %	0.4 %	11.0 %	13.0 %	6.0 %	12.0 %
25.1 % - 30.0 %			6.0 %	7.0 %	1.0 %	1.0 %
30.1 % - 40.0 %			30.0 %	34.0 %		
40.1 % - 50.0 %			4.0 %	4.0 %		

AH = all tariff headings
DH = dutiable tariff headings

NB imports bearing zeroduty ratings are almost entirely composed of primary products (but untreated wool is subject to tariff in the USA)

SOURCE: European Commission

STATEMENT OF JAMES N. BARNES ON BEHALF OF CONSUMERS UNION OF UNITED STATES, INC

I am James N. Barnes, an attorney with the International Project of the Center for Law and Social Policy, a non-profit public interest law firm in Washington, D.C. I appreciate the opportunity to present the views of Consumers Union of United States, Inc.[1] on H.R. 10853, which would exclude all Multi-Fiber Agreements (MFA) products from the current round of Multilateral Trade Negotiations (MTN).[2]

Consumers have a strong interest in any legislation affecting the textile and apparel markets, and particularly the importation of these commodities. The level of personal expenditure by the average American consumer for clothing alone represented 6.4 percent of disposal income in 1976. The American consumer, especially the low and moderate income wage earner, benefited both in terms of price and choice from the availability of a larger and more diverse market. Restricting imports of textiles products adds to the cost of goods, limits consumer choice, and limits competition within the industry.

From our point of view, even the present high levels of protection for the textile industry have not been established with proper regard for the interest of consumers. In particular, the impact of restrictions on textile imports on consumers—and especially on lower income groups—has not been given sufficient consideration by the responsible federal agencies. We are not aware of any recent studies on this issue by the U.S. Government. The few studies done by private researchers demonstrate, however, the need for further consideration of this question. We do know that the cost to the consumer is significant. In February 1973, Ilse Mintz, formerly of the National Bureau of Economic Research, in a study entitled "U.S. Import Quotas: Costs and Consequences," estimated that the total cost of textile quotas in 1972 was approximately $2[illegible] billion, and that by 1976 it might reach as much as $4.7 billion. C. Fred Bergsten, formerly of Brookings Institute, in an analysis entitled "Import Quotas in Textiles and the U.S. Economy" (April 1974), estimated that the cost to the consumer is considerably higher than these figures. He also concluded that the cost of import restrictions in textiles usually falls most heavily on low income consumers.

Under Section 204 of the Agricultural Act of 1956, a finding must be made, prior to the imposition of a restrictive quota, that actual or potential market disruption is being caused by imports. We are unaware of the actual basis for various import restriction decisions, because the decision-making process is insulated from public scrutiny.[3] Consumer Union has actively attempted, with very little positive response from the government, to raise these issues and open up the process of determination by the agencies as to when a restrictive measure is appropriate. In 1973, only as a result of the settlement of a lawsuit filed by Consumers Union, *Consumers Union* v. *Peterson*, the Commerce Department agreed to make public the list of guidelines utilized by its Committee and open to the public the meetings of the Management-Labor Textile Advisory Committee. Consumers Union also filed a suit in 1974 challenging the procedures used by the Executive Branch Committee for the Implementation of Textile Agreements (CITA) in its adoption of restrictive quotas. In a series of Freedom of Information Act requests, we have attempted—without success—to obtain studies relied upon by CITA regarding the need for particular restrictive quotas on textile imports. Finally, we would note that a continuing forum for textile and apparel manufacturers is provided by the Management-Labor Textile Advisory Committee of the Commerce Department, on which these groups are heavily represented. In comparison, only one consumer representative, recently appointed, is a member of the Committee.

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[1] Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide information, education, and counsel about consumer goods and services and the management of the family income. Consumers Union's income is derived solely from the sale of *Consumer Reports*, its other publications and films. Expenses of occasional public service efforts may be met, in part, by nonrestrictive, noncommercial grants and fees. In addition to reports on Consumers Union's own product testing, *Consumer Reports*, with more than 1.8 million circulation, regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions which affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

[2] Marilyn Moriarty, a student intern at the Center, assisted in preparing this testimony.

[3] The General Accounting Office concluded in 1974 in its report, "Economic and Foreign Policy Effects of Voluntary Restraint Agreements on Textiles and Steel," that (1) there is no evidence that responsible agencies have ever assessed "the arguments for protection and the most appropriate form that protection should take"; and (2) "restraints continue without regard to current or prospective conditions, and, in fact, have been broadened as far as textiles are concerned." In our opinion, that statement remains true today.

Enactment of H.R. 10853 would be another case, in our view, of favoritism to the textile and apparel industries without any consideration of the impact on the consumer or the overall national interest. H.R. 10853 would decrease the importation of less expensive textiles and textile products. Consumers Union is opposed to the bill, not only because the domestic textile and apparel industry is overprotected and the import market already severely restricted, but additionally because the exclusion of these commodities from the MTN negotiations would undesirably comprise the bargaining position of the United States and have a detrimental effect on the U.S. economy overall. If the United States withdrew textile products from the overall package being negotiated in the Tokyo round, other key trading nations would likewise remove important segments of their offers.

United States trade policy for the last 30 years has been to support efforts to expand trading relationships with foreign countries and to reduce trade barriers. An important component of this process has been a commitment to the negotiation of multilateral trade negotiations, such as the ones currently taking place in Geneva, as the most effective method for reducing tariff and non-tariff barriers to trade. Emphasis on freer trade or trade liberalization as a policy goal has been reaffirmed by successive administrations.

An analysis of the gains to the United States from trade as well as the impact of trade restrictions on the United States economy and on particular industries should be the basis on which the freer trade versus protectionism debate takes place. Unfortunately, such analyses are rarely made by our government.

The theoretical foundation for freer trade, as formulated by classical economists such as Adam Smith, has been refined but not basically changed by contemporary economics: international trade occurs because every nation has different relative efficiencies in the production of commodities. The classic doctrine of comparative advantage does not require each nation to produce every item that it produces more efficiently than its trading partners. Rather, the gain rather comes from producing and exporting goods that can be made at a low *relative* unit cost—compared to the cost of production of alternative goods—than is the case in other countries. Theoretically, each country should trade goods that reflect a comparative advantage for products in which another country has such advantage.

Thus, the free trade argument is really an efficiency argument for the optimal allocation of resources within a society and within a world. Consumers can obtain products at lower prices and can select from a larger quantity and variety of items. Production gains are obtained because of improvements in efficiency. Finally, imports provide competitive pressures on U.S. industries which result in lower prices and greater productive efficiency.

Of course, we all know that the pure theory of free trade ignores many aspects of reality that should not be ignored. One of these is jobs, and the dislocations caused by allowing relative efficiency to run its course. Just as we are all consumers, so are we all workers, and we must be concerned about the impacts of imports on workers. But there must be a balance.

Currently, the $30 billion projected trade deficit contributes to a general feeling that import competition must be limited in order to preserve American jobs. Although estimates of job displacement due to increased imports are filled with uncertainty, econometric studies do seem to agree that job losses caused by changes in domestic demand and labor productivity are much more significant than are job losses due to trade. These studies indicate that job losses due to imports are not very significant from a macro-economic point of view. But the impact of imports on selected industries, primarily those with lower-skilled and less relatively productive workers, is a problem.

The U.S. response to problems faced by industries that arguably are suffering from imports has been a mixture of both free trade and protectionist policies. General U.S. trade policy has consistently endorsed a liberal worldwide trading network as being the best way to protect all of our citizens in the long run. The U.S. has understood that a policy of unilaterally limiting imports in order to minimize losses to particular groups would be counter-productive. The U.S. has also acted on the belief that workers with obsolete skills or companies producing non-competitive products should be compensated or helped to adjust to the new economic situation.

THE TEXTILE INDUSTRY IS ALREADY HEAVILY PROTECTED

The American textile and apparel industries are already heavily protected by international agreements and domestic legislation. As early as the 1930's, the U.S. Government began seeking and obtained international agreements to protect the textile and apparel industries by restricting the level and type of textile imports.

In 1961, the United States requested the GATT to convene a conference of textile importing and exporting nations. A short-term (one-year) cotton textile agreement was negotiated at that conference, followed the next year by the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA). The LTA eventually was extended through 1973. Under the auspices of the LTA, the United States concluded several bilateral agreements regulating U.S. cotton textile imports, and during the early 1970's began to negotiate bilateral agreements regarding man-made and woolen textile imports as well.

In 1974, the Arrangement Regarding International Trade in Textiles, also known as the Multi-Fiber Agreement (MFA) became effective, extending trade controls to include not only cotton, but wool and man-made fiber textiles and textile products. The MFA was renegotiated in December 1977 and is in effect for at least the next four years. Almost 50 countries have become parties to the MFA, which control in the aggregate almost 85 percent of world trade in textiles. Pursuant to the MFA, the United States has restricted the importation into the U.S. of textile and apparel goods through bilateral agreements with 18 exporting nations, and through informal agreements with at least 10 additional countries that are operative whenever a specific problem arises necessitating restrictions. The bilateral agreements set an aggregate limit on total imports from the specific country, a quota for group products such as wool items, and additionally may provide for special quotas on "sensitive" items. The MFA generally provides an opportunity for imports to expand a little each year. Average textile tariffs now are about 24 percent. As Mr. Cline has pointed out, the Swiss formula being used in the MTN would cut textile tariffs to approximately 10 percent, a substantial anti-inflationary reduction.

While the industry has urged that a large number of jobs have been lost to imports, total employment (2.3 million jobs) is only down approximately 20,000 jobs from 1965. Moreover, the aggregate ratios nearly as high as in footwear (50 percent) or TV sets (37 percent). According to the Congressional Research Service (CRS), during the 1971-1976 period the import penetration ratio in cotton textiles increased from 12 percent to 19 percent, in wool the ratio declined from 28 percent to 23 percent, and in man-made fibers it declined from 10 percent to 7 percent. The only portion of the industry that appears to have real problems related to imports are some particular apparel products. Apparel imports have risen rapidly throughout the 1960's and 1970's. According to CRS, one out of every four garments sold in the United States is imported, as compared to one in twenty in 1966. But, as Mr. Cline has testiufied, it appears that the number of additional jobs that might be lost to increased textile and apparel imports would be small relative to total employment in the industry, and labor adjustment would be feasible. Labor adjustment to the job losses projected by Brookings probably could be accommodated through attrition over a 5-10 year period.

Under Title II of the Trade Act of 1974, the industry is also eligible for financial and technical assistance if increased imports are the cause of a decrease in a firm's production, sales or employment level. Guaranteed loans can be obtained under this program up to $3 million per redevelopment program, and technical assistance is provided through the Federal Government or the private sector.

The textile and apparel industries are in fact taking advantage of these assistance programs and industry workers accounted for 16 percent of the total number receiving benefits. This does not constitute, however, a disproportionately high number: at the March 30, 1978 meeting of the Management-Labor Textile Advisory Committee, the Labor Department spokeman noted he could "not conclude that the textile and apparel industry is more heavily impacted by imports than other industries" and that a larger number of workers from the automotive and steel industries are involved in the TAA petitions. In response to criticism from the textile industry, the Administration also recently directed that steps be taken to improve and shorten the processing time for claims for relief under this program. In short, adequate means of protection are already available to this industry.

THE TEXTILE AND APPAREL INDUSTRIES MUST BE VIEWED AS A WHOLE

Consumers Union believes that the textile industry and apparel industry must be viewed together. Their overall economic status is healthy. In dollar value, the U.S. has exported in the last four years more textile mill products than it imports. In 1977, the industry shipped an all-time high of textile exports, including filaments of $1.857 billion. Sales of textile mill products increased from $21.8 billion to $33.9 billion from 1969 to 1976.

Both industries are operating at a high production level, with an average work week of 40.3 hours per week for textile mills and 35.3 hours per week for apparel manufacturers. The average week for all domestic manufacturers is 40.1 hours. The level of production is increasing every year and American consumption of cotton, wool and man-made fibers has doubled in the last decade.

While the apparel industry has been affected by importation of less expensive goods, several other factors have contributed to the current decline in the apparel industry's economy. It is simplistic to assert that unemployment is caused primarily by imports since new machinery and changes in consumer trends are also important factors. One pervasive factor, affecting both the textile and apparel industries, has been the dramatic shift from natural to man-made fibers. From 1960 to 1972, U.S. consumption of wool fibers declined by over 50 percent and cotton declined more than four-fold. The shift to fabrication of textile articles from man-made fiber filament yarns, for example, eliminated the need for yarn spinning operations. Many of the processing operations (e.g., cleaning, scouring, carding, etc.) required in preparation of natural fibers were also reduced. This shift has facilitated increased automation, e.g., high speed looms and knitting machines. Imports have real impact on a limited number of subsectors of apparel industry, which can't compete with cheaper foreign prices—e.g., gloves, wool sweaters and cotton shifts.

H.R. 10853 COULD UNDERCUT THE U.S. POSITION AT THE MTN SESSIONS AND ITS FAVORABLE STATUS AS A NET EXPORTER OF TEXTILE GOODS

The Trade Act of 1974 indicates that a principal U.S. negotiating objective shall be to "enter into trade agreements * * * to assure the United States of fair and equitable access at reasonable prices to supplies * * * which are important to the economic requirements of the United States." Any analysis of what is to be subject to the MTN sessions must consider this objective, which encompasses the interest of the American consumer in a diversified market. The exclusion of these MFA products from the MTN sessions may be detrimental to the U.S. position. The MTN tariff negotiations have a potentially significant effect on the worldwide economic situation. As discussed above, the United States has an active policy of continuing to liberalize trade because of the overall benefits to our economy. The MTN sessions will require very sensitive bargaining to achieve an acceptable trade scheme to all sides. Textiles for both importing and exporting countries are an important commodity. In this light, the problems of one particular segment of one industry cannot be viewed in a vacuum: while a tariff reduction on certain textile imports could conceivably have an adverse effect on certain subsectors of the apparel industry, the overall benefits of a more favorable balance of trade arguably call for a tariff reduction. As the balance of trade improves, the U.S. economy will experience increased efficiency in domestic industries, a reduction of inflation, and consumer savings.

Greater emphasis should be accorded to increasing our exports not restricting imports of textiles and textile products. We note, for example, that recently a special committee, the Trade Facilitation Committee, was established to promote U.S. exports of textile goods to Japan, and $50-55 million worth of apparel alone was purchased in March 1978 as a result of these efforts. This is the type of measure which appears most desirable.

CONCLUSION

Consumers Union urges that the additional protection called for by H.R. 10853 not be given to the textile industry, both because of detrimental impacts on the U.S. position at the MTN sessions and of increased inflation and hardships for consumers that would accompany such a restrictive position. In our view, the textile situation is analogous to that faced by President Carter last year regarding shoe imports. He rejected an ITC proposal for additional restrictive quotas on the grounds that they would have impacted heavily on low and middle income consumers, as well as weakening U.S. leadership in the international effort to reduce trade barriers. A special three-year adjustment program providing $56 million of assistance was established. Congress should follow the same course here.

Mr. VANIK. We will be happy to hear from you, Mr. Strawbridge. This is one of the foremost department stores in the world.

STATEMENTS OF HERBERT STRAWBRIDGE, ON BEHALF OF THE AMERICAN RETAIL FEDERATION AND THE NATIONAL RETAIL MERCHANTS ASSOCIATION

Mr. STRAWBRIDGE. I have already submitted a statement.

Mr. VANIK. Your written statement will be submitted in the record as submitted. You may read or excerpt from it.

Mr. STRAWBRIDGE. I do not care to read from it. You have it before you and I think we can use the time to better advantage on some other things I have to say.

A year ago, in response to certain allegations made in the Library of Congress study on imports and consumer prices, I personally brought to the attention of the staff of this Subcommittee on Trade specific examples of imported merchandise that refuted most of the study's claims. That presentation was followed by my letter of September 13, 1977 and October 14, 1977 addressed to you as chairman of this Subcommittee on Trade.

In order to preserve time, I will not reestablish the points made in my previous presentation and correspondence, but simply state that many imported items of merchandise, much of which are basically textiles, benefit the American consumer in positive ways—by permitting them to purchase quality items at prices far below what comparable American-made products sell for across the counters in the retail stores.

I state this emphatically, despite much testimony that you have heard today. With inflation eating away at the consumer's pocketbook, and with growing numbers of American citizens struggling to keep a decent standard of living in the trying times of major inflationary forces, it seems prudent to continue to offer the American consumer all of the possibilities of saving their discretionary purchasing power. It is basically because of this single point that retailers continue to seek increased quotas and lowered tariff duties.

It simply makes good economic sense to keep the American buying rather than snuff out the candle that fires our total economy by letting prices escalate out of reason.

The retailer is the joiner of the production and consumer sides of our economy. We as retailers believe in a proper balance, but we want maximum employment of our industries. We also wish the very highest level of the consuming purchasing power totally. Therefore we must protect both sides—producing and consuming.

Today we stand united that certain importing is beneficial to our economy. Today we are discussing proposed legislation that would prohibit the lowering of duties on textiles imported from the Far East. We submit that this legislation may not be in the best interests of the great masses of Americans. For many years now the Far East has been the producer of much of the lowest-priced basic clothing and other textile items sold in American stores. Like the American economy, the economies of the various textile-producing countries of the Far East have also experienced major inflation. Coupling those increases of basic costs with the decline in the purchasing power of the American dollar abroad has brought about major increases in our selling prices to the consumer, which I will discuss in a moment.

Since duties are applied as a percentage of cost prices, the increase of item costs in dollars increases the dollars in duty. Therefore duty increases result in the absolute, and thus can be considered inflationary, if not restrained in some manner. To restrain the absolute dollar of duty would assist in keeping selling prices at the lowest possible level even though selling prices will tend to increase because of the increased inflations of first cost.

Today I have brought before you three examples of standards that have had major cost increases in the past 3 years, and here I refer to the first cost, or the price paid to the manufacturer. All four items have been brought on the same specifications for the years 1976, 1977, and 1978.

From Taiwan a basic woman's sweater. the manufacturing cost has risen 37 percent in 3 years, thus the absolute dollars of duty have risen likewise, and therefore the absolute dollars of duty have increased about 30 cents per item, which would increase the selling price by about $1, one basic sweater.

From Singapore, a man's flannel shirt, over 3 years the cost price has risen about 15 percent and thus the absolute dollars of duty have increased 15 percent. This increased the selling price about 50 cents per item.

From Singapore, a man's corduroy shirt, over 3 years the cost price has risen 45 percent and thus the absolute dollars of duty have risen 45 percent. This increased the selling price by almost 75 cents.

Not all prices have risen though.

As a fourth example, I present from Korea a man's dress shirt. Here the cost price has diminished about 3 percent, and thus the slight reduction in duty.

As can be seen, and as was pointed out in the correspondence I referred to earlier, any cost increase of such magnitudes are reflected by increasing selling prices, and I am proud to say that the majority of the sales we make on these items have not increased proportionately to the base price increases, and if the duties in absolute dollars not counted to be increased, it will help all retailers keep reasonable lids on selling prices.

Once again, I thank you for listening.

[The prepared statement follows:]

STATEMENT OF HERBERT E. STRAWBRIDGE, ON BEHALF OF THE AMERICAN RETAIL FEDERATION AND THE NATIONAL RETAIL MERCHANTS ASSOCIATION

I am Herbert E. Strawbridge, Chairman of the Board and Chief Executive Officer of the Higbee Company. The Higbee Company is a large retailer in the northeast section of Ohio. We employ 6,000 to 8,000 persons, depending upon the season of the year, and have approximately 3,000 stockholders. Today I am representing the American Retail Federation, an umbrella organization representing the 50 state retail associations, 31 national retail associations, and corporate members. The Federation represents, through its members, over 1,000,000 retail establishments that employ nearly 14,000,000 Americans. I also am representing the National Retail Merchants Association, which is a non-profit national trade association composed of approximately 3,500 members who operate some 35,000 general merchandise retail stores with an aggregate sales volume of some $95 billion annually. Two-thirds of its members are small businesses under $1 million annually, and members range in size from large national chains to small specialty shops employing 2.5 million workers across the nation.

The American Retail Federation and the National Retail Merchants Association urge you to take no action on H.R. 10853 for two reasons: First, such an action would interfere with the Multilateral Trade Negotiations and have a very adverse effect on international trade; and second, H.R. 10853 would have an adverse effect upon consumer prices in the United States.

The Multilateral Trade Negotiations are in their most critical period. After years of special study through Industry Sectoral Advisory Committees established by the Congress under the Trade Act of 1974, the United States has developed a balanced trade proposal. The textile industry has had the opportunity to make its views known through those advisory committees as have other industries. When the United States submitted its negotiating offers in January of this year it did so based upon the advice of the ISAC's, the policy committees, information from the United States International Trade Commission, and from public comments filed with the Trade Policy Committee. In order to achieve a U.S. tariff reduction policy in a nondiscriminatory manner, the Office of the Special Trade Representative established standards for determining which products would be negative exceptions to the tariff reduction formula finally agreed to in the multinational trade negotiations. These U.S. offers reflect a balanced approach to the international trade problems affecting all United States industries, groups and citizens. At this critical stage in the negotiations, an exemption for all products covered by the Multifiber Arrangement would certainly have an adverse effect upon the negotiations. It would also be a repudiation of the advisory system established by Congress in the Trade Act of 1974.

The second reason, which to retailing may be the very primary reason that H.R. 10853 should be disapproved by this committee, is the adverse effect which it would have on consumer prices. In this day of rising inflation, anything which adds to the cost of goods or limits competition will have an inflationary impact. The marketing techniques of the American retail industry permit the offering to the American public of a broad assortment of merchandise at reasonable prices. The prices of small or large retailers are generally about even, so that there is a good balance between these two categories of retailers, thus maintaining stiff competition. The American public benefits from that competition. The ability to broaden the offering of assortments of merchandise in style, quality and price becomes an important ingredient to a retailer.

Merchandise imported by retailers causes the prices of domestic goods to be lower than if there were more restrictions imposed upon retailing. United States consumers benefit from these lower prices. To withhold the Multifiber Agreement from the tariff reduction formula and tariff cuts of the Tokyo round would operate as a continuing or additional restriction on importing.

One of the options in dealing with inflation caused by the deflating dollar is to reduce tariffs. In recent years the deflating dollar has added substantially to the landed cost of imported goods, thus increasing the price to the consumer.

The use of both quotas and high tariffs on textiles and apparel as a protection to domestic industry limits the selection of goods available to the consumer and reduces competition.

Competition among manufacturers is just as important as competition among retailers, although this is not always recognized by the manufacturers and labor unions who would discourage importing. The presence of competition at every level of distribution is an important factor in reducing consumer prices.

At this time we urge this committee to allow the Special Trade Representative to continue the negotiations on tariff reductions without mandatory legislative exceptions such as those set forth in H.R. 10853.

Mr. VANIK. Thanks very much, Mr. Strawbridge.

I was following your statements on the effect of tariff and the declining dollar. Although the cost of production rises abroad as the dollar goes down, doesn't the deterioration of dollars actually make the payment of tariffs less than the higher value of foreign currency?

Mr. STRAWBRIDGE. I would doubt it.

Mr. VANIK. They can provide the dollars on which the tariff is assessed for a much lower sum?

Mr. STRAWBRIDGE. No, because it would rise proportionately, so it remains the same. But it affects the selling price and, therefore, anybody who is on a fixed income basis, they are going to have to pay more in the end for the basic goods.

Mr. VANIK. Let me ask you this, in a department store like your very fine store in my home city, what proportion of the goods are made in the United States and what percentage are imported?

Mr. STRAWBRIDGE. We cannot answer that definitively because we don't know the components of the American domestic goods.

Mr. VANIK. I am just talking about your store.

Mr. STRAWBRIDGE. Our direct purchases are less than 5 percent of our total sales. And of the apparel and textiles it would be less than 3 percent. That would be higher for an American department store. So what you are talking about before you for your consideration in the apparel and textile industry——

Mr. VANIK. I am talking about the total production line.

Mr. STRAWBRIDGE. Total production line would be less than 5 percent.

Mr. VANIK. Less than 5 percent would be imports?

Mr. STRAWBRIDGE. Yes.

Mr. VANIK. As a shopper goes through a store it's almost impossible to find out what is imported and what is made domestically. It is one of the problems that I have been confronted with. We have tried to do some shopping tests and do some market testing on our own. And it's extremely difficult to find out. Goods will carry the name of an American manufacturer and be made anywhere in the world, so that you are really buying an American label and a foreign product, and it's so hard to determine when and where and on what occasion you are really buying an American-made product, if you had the will to do it.

Mr. STRAWBRIDGE. Almost all of your foreign goods is earmarked with the country of origin.

Mr. VANIK. With the country of origin?

Mr. STRAWBRIDGE. Every item should be marked. It is made wholly there. If it's assembled in the United States, then it's another story.

Mr. VANIK. Then they are eliminated, and sometimes I think the package is the only thing printed in the United States. The folder in which the items come is printed in the United States, and that is usually done in very big letters so that it has really an effect of providing some false information in a sense when it is done that way.

Mr. STRAWBRIDGE. Right.

Mr. VANIK. Then there is another device in which goods may be made abroad and manufactured for an American producer. I have seen other items like that and produced for a well-branded American product.

Now, from the standpoint of the consumer, which is our primary concern and must be in all of these considerations, it has been or will be our view that the consumer does not get many of the benefits of these lower prices.

Mr. STRAWBRIDGE. That is a false impression, I think, in which my previous presentation which I offered and would be delighted to offer again to your subcommittee to come out to Cleveland and study us, and it will show the cost prices in the amount of goods we sell at different prices, and we will be delighted to refute the business that the consumer does not get a better break, and a big break, not something that just is marginal.

Mr. VANIK. I have had some retailers argue they have to have these higher markups.

Mr. STRAWBRIDGE. That is right.

Mr. VANIK. On imported goods, because they usually buy a one stock supply, and they have to pay for it totally at the time of delivery?

Mr. STRAWBRIDGE. That is right.

Mr. VANIK. And that very often they have to distress sale it in order to clear it.

Mr. STRAWBRIDGE. I addressed that point to you in the letters of last fall and you are absolutely right. When you talk about the category of markup, the category of markup on foreign purchased goods is entirely different than the category of markup on domestic goods. But you start off with two different, entirely different economic factors that are involved in the costs and expenses of doing the business.

As I pointed out previously, the American manufacturer builds into his cost prices the fact that most of the time you do not pay for the goods until about 30 days after they have been delivered to you. You get some discount off of the invoice if you pay on time. They build in advertising expenses, and many times they build in other types of service expenses.

The foreign manufacturer you pay for as soon as it is delivered to a dock. It may take you 3 to 4 months for it to be received, so your money is outstanding all of that time. If there is anything false or any errors or what have you, you stand the whole risk. There is no return privilege. Many of the American manufacturers will take back goods if they are not satisfactory so there are two different elements, and markup is to cover those different elements.

Mr. VANIK. What is your retailer's experience on warranty? Do you find any problems with this, with the imported goods? What is the percentage?

Mr. STRAWBRIDGE. Fortunately in the textile industry, both American manufacturing and the manufacturers we deal with abroad, they are quality manufacturers and you don't have very much difficulty with any warranties or guarantees.

Mr. VANIK. And the goods are usually manufactured to your specification?

Mr. STRAWBRIDGE. They are manufacturered to specifications so they are washable, shrinkproof, colorfast, all of the other items you would look for. And if you were dealing with a bunch of manufacturers overseas that were of poor quality, that would be a real worry. In the real world we are talking about, they are just as quality minded as the American manufacturers.

Many of them were schooled and taught by the American manufacturers, and so it's a commonality between the two.

Mr. VANIK. Does your organization at any time go to the source of supply to examine working conditions or get a look at OSHA?

Mr. STRAWBRIDGE. Oh, yes, you have to be there or you won't have the quality product you would expect. If you would have a sweatshop type operation, the end product would be less than what you would really want to settle for.

Mr. VANIK. Mr. HOLLAND?

Mr. HOLLAND. Thank you, Mr. Chairman.

I brought some garments of my own today. These are sweaters approximately of the same quality and the same style. One of them is made in Hong Kong, cost to the retailer is $3.72, and retails for $13. The other is made in the United States of America, cost to the retailer of $6.50 and retail price is $13.

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My question is where is this extra money going? You have detailed a lot of trouble with imports having to pay for them on arrival at port, all of these problems you outline which seem to me to make the retail establishment in this country awfully wary of dealing in this sort of imported business, but there must be some benefit and the benefit to me is in your cash register.

Mr. STRAWBRIDGE. You bring that point up, but I don't think that the absolute figures will support that fact. When you get through with the total profitability off of the imports versus total profitability off domestic goods, I don't think you will find any retailer is going to stand before you and say one is more profitable than the other.

Mr. HOLLAND. No retailer would, sir?

Mr. STRAWBRIDGE. No, and I don't think you could send anybody in to audit it and prove it would be any different.

Mr. HOLLAND. Since there is no economic benefit, and obviously no benefit to the consumer——

Mr. STRAWBRIDGE. Wait, wait, wait.

Mr. HOLLAND. I can't for the life of me understand why you sell these.

Mr. STRAWBRIDGE. I clearly stated there was a benefit to the consumer.

Mr. HOLLAND. What is it, sir?

Mr. STRAWBRIDGE. Lower prices.

Mr. HOLLAND. Certainly not in price. I don't like your three items; I am sure you don't like my two sweaters so let me tell you about another.

Mr. STRAWBRIDGE. We can pull out the same type of item, too, and you can go through the whole field on that basis.

Mr. VANIK. I will have to call a recess now. They need us down in the committee for an important vote. We will be right back.

Mr. HOLLAND. Mr. Chairman, I would like Mr. Strawbridge to be sure and remain.

Mr. VANIK. I hope you will bear with us, Mr. Strawbridge, and the rest of the witnesses. We are having to vote on the debt ceiling, and without that the country will fall apart, so we will be right back.

[A short recess was taken.]

Mr. HOLLAND. Will the hearing please come back to order?

Mr. Vanik is going to be up in just a moment, and in the interest of time he told me to go ahead and proceed.

We were discussing your shirts and my sweaters up here and I suppose you are correct, we can go around the country and pick out items.

Mr. STRAWBRIDGE. they could have come right from our store, but I don't know that they did.

Mr. HOLLAND. We picked up some toboggans over in Atlanta and all sorts of things around the country. You have your items, I have these and they contradict each other. But I want to tell you what I saw in the Port of Savannah. Does your company sell Van Heusen shirts?

Mr. STRAWBRIDGE. Oh, yes.

Mr. HOLLAND. What would a man's average quality short sleeved white Van Heusen dress shirt sell for to the consumer on your counter?

Mr. STRAWBRIDGE. I believe the price right at the present time would be in the range of $13 to $15.

Mr. HOLLAND. All right, sir. In the Port of Savannah one noon I saw a container vessel, you know what that is, it's a huge boat to me, and it was loaded with the shirts I just described, Van Heusen, the label said, "Made in Taiwan."

I asked them to open up a container and open up a case and open up a box. When we got down to a box of 12 of those shirts, the declared value per dozen for duty calculation purposes was $12.77 for a dozen. That then translates, other stores run about the same as you, $13 to $15 on the shelf to the consumer who is supposed to be benefiting from all of this.

Now, what do you pay for that shirt that is valued at $12.77 per dozen coming in through the Port of Savannah?

Mr. STRAWBRIDGE. We would pay approximately 50 percent of our selling price if it was a Van Heusen.

Mr. HOLLAND. Do you buy it from an importer?

Mr. STRAWBRIDGE. No. We buy it from Van Heusen. If it was a Van Heusen shirt, we would buy it directly from Van Heusen.

Mr. HOLLAND. All right, sir. Where does the $12.77 value relate back to?

Mr. STRAWBRIDGE. I suspect in that particular case the additional cost that Van Heusen would run into to build it up to a cost price that they would sell to us would be their national advertising campaigns, their risk of the goods that they originally purchased wherever that was, whether it was domestic or foreign, and how long they had had money outstanding for their original purchase of the griege goods.

The shipping charges, any other risks that they would have taken or additional problems that they would run into, plus the fact that they would build into their cost the prices to us some assistance to us may be in marked down moneys or something else. So we wouldn't know their total profits nor would we know anything else except that approximately half of our selling price would have been the cost price we would have paid to Van Heusen.

Mr. HOLLAND. We are talking today about duties and tariffs and such items coming into this country, are we not? In calculating that tariff, it's $12.77 per dozen, which is an infinitely small part of the overall costs, and so what you are here today testifying against is so small as to be almost irrelevant in calculating these costs, is it not?

Mr. STRAWBRIDGE. That is basically right.

Mr. HOLLAND. Then why is there so much resistance?

Mr. STRAWBRIDGE. Now, a nickel rise in the cost price to a Van Heusen, which would be a base costs, will reflect itself in about a dollar the retail counter by the time you put all of the add-ons throughout. So, if their basic cost of goods is raised by a nickel, you will find that across the counter it will rise someplace close to a dollar in the selling price.

Mr. HOLLAND. Well, sir, then you are testifying today that the problem isn't the tariff, the problem is on these extraneous costs.

Mr. STRAWBRIDGE. Any costs, including——

Mr. HOLLAND. So Congress ought to conduct an investigation as to where the costs come from and how they are calculated and how they translate into so-called value to the consumer.

Mr. STRAWBRIDGE. Any way we can reduce the cost price will help the consumer, and one way you can help the consumer is reduce the cost of tariffs, and that is all I am saying.

Mr. HOLLAND. It seems to me if a dozen shirts are valued for tariff purposes at $12.77 at what you state you sold one shirt at $13 to $15 on your counter, then there is a hell of a lot of money going somewhere other than to the benefit of this Nation's consumers. Maybe that is where we ought to be conducting some congressional investigations.

Mr. STRAWBRIDGE. I am sure you would find there is a whole series of people, and I would not dispute what you are saying in that point, there is a whole series of different industries and organizations that receive some kind of benefits from that difference between the basic costs that you are talking about and the retail price.

You have the whole shipping industry, you have all of the advertising industry, you have packaging industries, you have a whole series of other people that become involved over and above that basic price that you are talking about. So, someplace in between the basic cost, valuation that you are talking and the wholesale price to us, you end up with a series of different expenses.

Anyplace in that chain of command or chain of events that you can lower the cost you are going to benefit the consumer. So what we are talking about today, if there is a possibility of lowering the tariff duties in absolute dollars, you are going to benefit the consumer. If you let the absolute dollars increase on tariffs, you are harming the consumer. And that is all I am saying.

Mr. HOLLAND. Well, sir, it's just my opinion that the consumer is not deriving these vast benefits, because when it gets to the counter where the consumer lays his money down and purchases a item of identical qualitiy and the price is exactly the same, it escapes me that he is obtaining any benefit.

In my judgment the sweater made in Hong Kong ought to be sold for maybe $7 or $8. That is a benefit to the consumer, and the American made one more, maybe.

Mr. STRAWBRIDGE. I don't know anything about that. Take this particular shirt here, which we can prove to be the same value as the American shirt, our consumers will pay $4 to $6 less than the American product that is identical to it in our basement store.

Mr. HOLLAND. Your own shelves in your own store you are selling that for $4 to $6 less than the identical item made in the United States?

Mr. STRAWBRIDGE. Yes.

Mr. HOLLAND. Then, sir, isn't it foolish business for you to even sell anything made in America?

Mr. STRAWBRIDGE. Oh, no. There are hundreds of consumers that will be delighted to pay for the American made merchandise at a higher price, and that is great.

Mr. HOLLAND. Aren't they being ripped off?

Mr. STRAWBRIDGE. As retailers we are all in favor of the American manufacturers, but we are also in favor of giving the customer the lowest possible prices if they want it so we give them the alternatives, either way they want to go.

Mr. HOLLAND. You said in your testimony that roughly 5 percent or less of the goods in your store are foreign manufactured.

Mr. STRAWBRIDGE. Direct imports by us, yes.

Mr. HOLLAND. You stated also, I believe, that the average store would run 3 percent.

Mr. STRAWBRIDGE. I think that is right.

Mr. HOLLAND. Well, this morning the administration told us that the penetration in this type goods was 11 percent, and it seems to me that there is somewhere between 6 and 8 percent of the goods unaccounted for.

Mr. STRAWBRIDGE. I can only quote from the figures available to me from the department store industry, and that is the one I am referring to. If there is a lot more imports by somebody else, I would not know about it. They are secret, most of this is confidential, of a confidential nature within the industries themselves.

Mr. HOLLAND. But at 3 percent, which would be probably the right penetration of domestic market, if it's that, and if we manage to hold imports across the board to about 3 percent of the domestic market, it does not affect your company then, does it, or your member companies?

Mr. STRAWBRIDGE. Oh, I would doubt it would harm us very much one way or the other. But it will harm the consumer if you don't give the consumer the opportunity to purchase the merchandise that they can make of quality at the lowest possible prices.

Mr. HOLLAND. I don't want to contradict you too much, but there are contradictions in what you say. You say that a 5-cent increase——

Mr. STRAWBRIDGE. At base cost.

Mr. HOLLAND [continuing]. Will translate into about $1 cost to the consumer.

Mr. STRAWBRIDGE. That is right.

Mr. HOLLAND. Why does it cost more to bring a shirt into this country at $1.05 than at $1? It seems to me the handling costs and everything would be about the same. Why is that 5 cents, since you have the same transportation costs and same tariff——

Mr. STRAWBRIDGE. You do not pass through in any manufacturing process; you never take a fixed fee and pass it right on through the whole chain. By the time you meld your costs together you have usually that base cost on which you put percentages on for increased costs of money, increased advertising expenses, et cetera, so it multiplies itself out.

Mr. HOLLAND. You totally lost me. How does it cost more to advertise a $13 sweater than it does a $10 sweater? You see, that does not apply, it just does not fit, and that is why I say there is a contradiction that I cannot explain.

Mr. STRAWBRIDGE. It does fit. They would fit if you put all of your elements together, you will find an economic fit that goes into it. Now, if you take one element out and say can't we just take this out and just take it all the way through and only have that $1.05, then somebody says, well, let me increase my wage rates by just the 10 cents per garment, and let me take something else and increase it only a certain amount.

Pretty soon you will pass through a series of pennies and it won't come out economically to the man who is making it.

Mr. HOLLAND. It still does not make sense that you increase labor costs 5 cents. That is back at the base.

Mr. STRAWBRIDGE. I am talking about the same thing. The base. We are talking about a base.

Mr. HOLLAND. I didn't understand, sir. Would you repeat that?

Mr. STRAWBRIDGE. Well, what I am talking about is the same thing, is a labor increase, any base cost is an increase at the bottom rung, and it has to be multiplied as it goes on through our economic system, and so if you increase cost of making a garment by a few pennies, that too increases the end result. You increase the labor that goes into a garment by 5 cents, and it will come out at the far end by approximately $1 at retail.

Mr. HOLLAND. And that includes the costs of shipping, handling, I suppose?

Mr. STRAWBRIDGE. Any base cost.

Mr. HOLLAND. Advertising?

Mr. STRAWBRIDGE. Well, by the time it has all multiplied through, it will come out at the far end. What happens is the manufacturer——

Mr. HOLLAND. It seems to me somebody is doing multiplying besides the consumers of this country that you are here today to defend.

Mr. STRAWBRIDGE. Well, your taxes are based upon a percentage, too. Your taxes are based upon percentages of profit, almost all of the expenses that you run through an operation are based on the expenses that you build in.

Mr. HOLLAND. All right, sir. Let's do this thing in reverse.

Suppose the administration gets away with lowering these tariffs at the present Geneva negotiations, and that will be for just illustrative purposes, say a dime on a shirt. Now, will that 10 cents translate to a $2 reduction at the retail level?

Mr. STRAWBRIDGE. If all other costs remain steady it will.

Mr. HOLLAND. But, sir, they will not remain steady. That is a fact, isn't it, of economic life?

Mr. STRAWBRIDGE. That is right, and all I am saying to you is if you keep the duties at the lowest possible point, you assist the consumer. I didn't say it was going to lower the prices. I said you will assist the consumer. If you let the tariff duties increase you harm the consumer in absolute dollars. In other words, if you let that 5 cents go up to 10 cents, you are going to harm the consumer.

Mr. HOLLAND. Well, let's help him a little and maybe the consumer federations of this country ought to find out why if you knock the tariff down 10 cents you are likely to drop the price at the market counter no more than 10 cents; is that a fair statement? But if you let it go up a nickel you are going to raise it $1. Somebody in the consumer business ought to be finding out where those moneys are going, because——

Mr. STRAWBRIDGE. No, you are playing around with some words. No. That isn't what I said at all.

Mr. HOLLAND. Well, if you would, you would meditate on it? I have to go vote. I would appreciate it if you would bear with us just a couple more minutes.

Thank you.

[A short recess was taken.]

Mr. HOLLAND. Just one more question, sir.

You had a sweater down there that said the cost went up 27 percent.

Mr. STRAWBRIDGE. Yes.

Mr. HOLLAND. It went from what to what?

Mr. STRAWBRIDGE. It went from $3 to $4.10.

Mr. HOLLAND. That is the base cost?

Mr. STRAWBRIDGE. That is base first cost. The duty on that sweater is $1.13.

Mr. HOLLAND. And it sells for what on your counter?

Mr. STRAWBRIDGE. We sell it for $12.90.

Mr. HOLLAND. OK. Could you escalate that item right on through the various stages and add on the costs as you go? Just show us where the difference in dollars is.

For instance, take the base cost.

Mr. STRAWBRIDGE. The base cost is $4.10. I probably could not do that with any——

Mr. HOLLAND. Well, sir, we are running short on time. Would you be willing to do that for the record?

Mr. STRAWBRIDGE. Oh, yes, sure.

Mr. HOLLAND. That would be awfully helpful, I think.

Mr. STRAWBRIDGE. Sure, be delighted to submit the whole story on it.

Mr. HOLLAND. We would be grateful if you would.

Thanks again for your testimony.

Mr. STRAWBRIDGE. You are welcome, and thank you.

[The following was subsequently received for the record:]

THE HIGBEE CO.,
Cleveland, Ohio, July 21, 1978.

Hon. KEN HOLLAND,
House of Representatives,
Cannon House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE HOLLAND: During the hearing on H.B. 10853 conducted on July 10th, you requested that I build the cost price of a sweater purchased in Taiwan in a manner in which you could see the effects of the various extra-ordinary expenses. I am delighted to submit herewith a study that we have undertaken.

First, we were talking of a sweater that cost $4.10 in 1978, but because we have not received the shipment we cannot at this moment add all of the many particulars. The same identical sweater was purchased in 1977 at $3.50 as the first invoiced cost, or the price that we paid to the manufacturer in Taiwan. In 1977, we sold more than 75 percent of our purchase at $11.90. We did sell a few ahead of that at a higher price and we sold quite a few later in the year at a markdown price. It is our intention that when the shipment for 1978 comes in we will be selling the great majority of the sweaters at $12.90 but will sell some prior to their going on sale at a higher price and a great amount of the rest at something less than $12.90.

In 1977, the cost price was $3.50. The table below shows that six expense items increased this cost by 67 percent:

First Cost	$3.50
Duty	1.33
Ocean Freight	.81
Insurance	.04
Brokerage/Handling/AMC	.03
Domestic Freight/Cartage	.13
Foreign Buyer Expense	.03
Total	5.87

As you can see, the cost price of $5.87 does not allow for the cost of money, the allowance for faulty merchandise and other expenses that could be incurred to make the foreign purchase wholly comparable to a domestic purchase.

If we were to buy a sweater to sell at $12.00 on the domestic market, we would have to purchase one at a $6.00 cost. This $6.00 cost would carry invoice terms of some 3-7 percent discount for prompt payment 30 days after the presentation of the invoice. It is also to be submitted that a sweater of the comparable quality of the one we purchased in Taiwan of $3.50 last year and sold the majority at $11.90 could not have been bought domestically for less than $9.00, which would make its selling price $18.00. It is therefore our contention that the consumer does get a break by our purchasing certain quantities of our goods from foreign manufacturers. When we see hundreds of sweaters going out of our store at $11.90 that are comparable to sweaters that we would have to charge $18.00 for, we know the customers are better off. Additionally, we do not feel that we are gouging the customers by excessive profits.

The reason is frequently asked, why would we sell the $11.90 sweater vs. the $18.00 sweater as our basic markup remains approximately the same (used in this terminology, basic markup means all of the items in the table above as the basic cost). The reason turns out to be simple. We would rather sell 1,000 sweaters at $11.90 than 300 to 400 sweaters at $18.00.

I hope this information is helpful to you in understanding this matter. I am pleased to submit this information to you as it may be helpful in the total problems. I suspect that you can generally take the first manufacturer's cost of a foreign purchase and add 50 to 70 percent of that cost as the additional expenses to get it to be comparable to a domestic purchase. But, in saying it is comparable, the domestic manufacturers still frequently assist the retailer with advertising dollars, mark-down expense monies and many additional costly helps.

Kindest regards.

Cordially and respectfully yours,

HERBERT E. STRAWBRIDGE.

Mr. HOLLAND. Mr. Cline, we welcome you to the committee. Your prepared statement, without objection, will be included in the record in its entirety and you may proceed, sir, as you see fit.

STATEMENT OF WILLIAM R. CLINE, SENIOR FELLOW, BROOKINGS INSTITUTION

Mr. CLINE. Thank you, Mr. Chairman.

It is a pleasure for me to testify here today at the invitation of this committee.

The question here is whether the American textile industry should be exempted from tariff cuts in the multilateral trade negotiations currently in progress at Geneva, called the "Tokyo Round" of trade negotiations. My comments shall be limited to findings about the sector in our recent Brookings study on the Tokyo Round.

Before turning to specific estimates obtained in that study, I would like to make four broad points.

First, the majority of textile imports are already controlled by physical quotas under the multifiber agreement. For these imports it will make no difference whether tariffs are cut. These imports cannot rise because they are subject to quotas on the physical volume imported. It is essentially only the lesser share of our textile imports, the share supplied by Europe and Japan, that would be affected by tariff cuts.

Second, my impression is that tariff cuts in the textile sector are very important as a part of the overall package being negotiated in the Tokyo Round. The United States is seeking more open export markets in these negotiations, and it is likely that if we remove textiles from the list of tariff cuts, the Europeans and Japanese will remove key sectors from their offers or else lower their offers across the board.

Third, the American consumer stands to gain from tariff cuts on textiles, at least on those imported quota free from Europe and Japan. At a time when inflation once again is becoming this country's No. 1 economic problem, it seems to me it would be a step in the wrong direction to exempt textiles from the tariff cuts negotiated in the Tokyo Round.

Fourth, on the basis of estimates prepared in our recent Brookings study of the trade negotiations, it appears that the number of textile jobs that might be lost to increased imports would be limited, relative to total employment in the sector, and that labor adjustment would be feasible, especially with tariff cuts passed in over as long as 10 years.

Let me now turn to some specific quantitative estimates that I have prepared on the basis of unpublished materials from the Brookings study. That study carried out detailed calculations of changes in trade for alternative tariff cutting formulas, and one of the formulas examined was essentially the "Swiss Formula" that has been agreed upon, tentatively, in the negotiations.

Table 1 in the testimony submitted shows the increases in U.S. textile imports and exports calculated using the Swiss Formula, by trading partners. The table shows, no increased imports from outside the OECD because virtually all of the other significant suppliers, such as Hong Kong, Taiwan, Korea, India, Mexico, the Philippines, Singapore and Brazil are under quota agreements with the United States.

As table 1 shows, tariff cuts using the Swiss Formula would raise U.S. textile imports by $676 million and would increase U.S. textile exports by $236 million, using a 1974 trade value base. These figures represent approximately 17 percent and 11 percent of the total value of textile imports and exports in 1974, respectively.

Although the net trade balance effect would be negative, it would not represent a significant trade balance problem, given its extremely small size relative to overall exports and imports. The principal suppliers would be Japan, Germany, the United Kingdom, Italy, France, and Canada, and the principal markets for increased U.S. textile exports would be Canada and the EEC.

On the basis of these estimates, and using data for 1977 to update the estimates to account for changes in both prices and volume, I have calculated that the corresponding effects on employment would be a loss of 22,000 textile jobs to increased imports and a gain of 5,000 textile jobs in increased exports, giving a net loss of 17,000 jobs as a result of these tariff cuts.

This number of jobs amounts to about eight-tenths of 1 percent of total employment in the textile industry. Moreover, the tariff cuts would be phased in over 5 to 10 years. Therefore, the annual net job loss would be less than one-tenth of 1 percent of employment in the industry.

This rate is extremely small, and labor adjustment to these changes should be possible through the normal process of attrition, the natural process of workers quitting as they retire or seek other jobs.

In addition, the amounts of adjustment assistance that we have provided should be entirely sufficient to address this level of labor adjustment. Moreover, even these employment and import figures may be overstated. First of all, Japan accounts for over half of the estimate import increases, and yet existing bilateral agreements with Japan would probably provide the basis for renewed control of imports if the level of imports appeared to be rising sufficiently rapidly to be disruptive.

Second, in practice, it is possible that the U.S. offer on textiles will be less ambitious than the full Swiss formula.

If so, and in addition, if a number of specific textile products are exempted, then the loss of jobs to increased imports would be less.

With respect to the anti-inflationary impact of cutting tariffs, the U.S. textile tarriffs stand at an average of about 24 percent. The Swiss formula would cut them to about 10 percent.

The result to the American consumer would be a cut by about 10 percent in the price paid on imports of textiles from Europe and Japan. This relief on prices would make an important contribution to the fight against inflation.

I would like to depart from my prepared statement to address a question raised by you, Mr. Holland, in earlier testimony today about the reliability of the Brookings estimates and in particular the questions raised by alternative estimates in the study by Data Resources, Inc.

One problem in evaluating the Data Resources study is that, to my knowledge, it is not publicly available. I have heard that the Commerce Department has prepared a critical evaluation of the study and did raise some serious doubts about the study.

I would point out that with regard to today's testimony that the reply given by Mr. Small to your inquiry contained no figures, except for a figure of 200,000 jobs by 1985. I would emphasize that the figure of 200,000 jobs that Mr. Small mentioned was not an estimate of the jobs that would be lost because of liberalizing tariffs; it was a different concept; it was a projection of the number of jobs that would be lost if the textile industry keeps going the way it is going now, according to the particular study that Mr. Small mentioned.

Mr. Small, in reply to your question, mentioned the base year used in the Brookings study. He mentioned that we do use the 1974 base. In today's testimony which I have prepared specifically for this purpose, I have updated those job estimates to a 1977 base; so I think that we are speaking about the present situation.

If one looks at the real level of U.S. textile imports, in other words, if one takes the value of U.S. textile imports and deflates by a price index which I have calculated from data prepared by the American Textile Manufactures Institute, there was only about a 14-percent increase in real textile imports from 1974 to 1977.

Now if it is true, as I think I heard Mr. Small say, that using the 1977 base, the DRI study comes to comparable estimates as the Brookings study about the effect of liberalizing tariffs; then it is possible that figures that I have presented today are much more the central figure that one would want to use for the estimate of this concept: that is, the impact of cutting tariffs as opposed to other extraneous factors on the industry.

I would point out that there are other academic studies that come to the same conclusion as mine.

There is the study by Robert Baldwin at the University of Wisconsin which has been published in the American Economic Review, and a study by Robert Stern of the University of Michigan. These two studies come to similar conclusions about the limited job losses that we would confront if we were to have liberalization of tariffs in the Tokyo round of negotiations.

With respect to including indirect effects, so-called ripple effects, that Mr. Small referred to, the effect of lower expenditures in the community when the worker loses his job, it is really not accurate to include those effects, because there would be offsetting ripple effects from other things going on in the Tokyo round. In other words, the new export jobs in other sectors would cause export workers to make additional expenditures in the community. Therefore one really cannot lump together these indirect effects with the direct effects when one examines the job effect of liberalizing tariffs on textiles.

Mr. Small raised the issue of the funding of our study at Brookings. The study was funded by the U.S. Department of Labor, the Sumitomo Foundation and the Rockefeller Brothers Fund. It is my understanding that the DRI study was commissioned by Burlington Industries.

Finally, there has been a question raised about the human element, about the fact that if the figure is 41,000 jobs, or if the figure is only 17,000 jobs, there is still a human problem; something has to be done. Here I would say that the answer is the funding that we have for adjustment assistance which is designed for this purpose, including retraining programs which are designed for this purpose.

I think it is useful to note that the cost of 17,000 jobs at an average adjustment cost of $3,000 a job comes to about $60 million. That is a small cost relative to the overall gains that can be achieved in these negotiations. These gains can run on the order of billions of dollars, and if we jeopardize the entire prospects of the negotiations by pulling out at the last minute our offers in a key sector, then we are going to lose those gains and we could even run the risk of more serious damage by inviting a whole period after the Tokyo round, after a failed Tokyo round, a whole period of retaliation, of increased protection, by many countries.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF WILLIAM R. CLINE, SENIOR FELLOW, THE BROOKINGS INSTITUTION

TEXTILE TARIFFS IN THE TOKYO ROUND OF TRADE NEGOTIATIONS

It is a pleasure for me to testify here today at the invitation of this Committee. The central issue of these hearings is whether the American textile industry should be exempted from tariff cuts in the multilateral trade negotiations currently in progress at Geneva, called the "Tokyo Round" of trade negotiations. My comments shall be limited to findings about the sector in our recent Brookings study on the Tokyo Round.[1]

Before turning to specific estimates obtained in that study, I would like to make four broad points. First, the majority of textile imports are already controlled by physical quotas under the multifiber agreement. For these imports it will make no difference whether tariffs are cut: these imports cannot rise because they are subject to quotas on the physical volume imported. Broadly speaking, it is only the lesser share of our textile imports, the share supplied by Europe and Japan, that would be affected by tariff cuts.

Second, my impression is that tariff cuts in the textile sector are important as a part of the overall package being negotiated in the Tokyo Round. The United States is seeking more open export markets in these negotiations, and it is likely that if we remove textiles from the list of tariff cuts, the Europeans and Japanese will remove key sectors from their offers or else lower their offers across the board.

Third, the American consumer stands to gain from tariff cuts on textiles, at least on those imported quota free from Europe and Japan. At a time when inflation once again is becoming this country's number one economic problem, it would be a step in the wrong direction to exempt textiles from the tariff cuts negotiated in the multilateral trade talks.

Fourth, on the basis of estimates prepared in our recent Brookings study of the trade negotiations, it appears that the number of textile jobs that might be lost to increased imports would be limited, relative to total employment in the sector, and that labor adjustment would be feasible, especially with tariff cuts phased in over as long as 10 years.

Let me now turn to some specific quantitative estimates that I have prepared on the basis of unpublished materials from the Brookings study. That study carried out detailed calculations of changes in trade for alternative tariff cutting formulas, and one of the formulas examined was essentially the "Swiss Formula" that has been agreed upon tentatively, in the negotiations. Table 1 shows the increases in U.S. textile imports and exports calculated using the Swiss Formula, by trading partners. There are no increased imports from outside the OECD because virtually all of the other significant suppliers (such as Hong Kong, Taiwan, Korea, India, Mexico, the Philippines, Singapore, and Brazil) are under quota agreements with the United States.

As Table 1 shows, tariff cuts using the Swiss Formula would raise U.S. textile imports by $376 million and would increase U.S. textile imports by $236 million (with a 1974 trade value base). These figures represent approximately 17 percent and 11 percent of the total value of textile imports and exports in 1974, respectively. Although the net trade balance effect would be negative, it would not represent a significant trade balance problem, given its extremely small size relative to overall exports and imports. The principal suppliers would be Japan, Germany, the United Kingdom, Italy, France, and Canada; and the principal markets for increased U.S. textile exports would be Canada and the EEC.

On the basis of these estimates, and using data for 1977 to update the estimates to account for changes in both prices and volume, I have calculated that the corresponding effects on employment would be a loss of 22,000 textile jobs to increased imports and a gain of 5,000 textile jobs in increased exports, giving a net loss of 17,000 jobs as the result of these tariff cuts.[2] This number of jobs amounts to about eight-tenths of one percent of total employment in the textile industry. Moreover, the tariff cuts would be phased in over 5 to 10 years. Therefore the annual net job loss would be less than one-tenth of one percent of employment in the industry. This rate is extremely small, and labor adjustment to these changes should be possible through the normal process of attrition. Moreover, even these employment and import figures may be overstated. Japan accounts for over half of the estimated import increases, and yet existing bilateral agreements with Japan would probably provide the basis for renewed control of imports if the level of imports appeared to be rising sufficiently rapidly to be disruptive.

Finally, with respect to the anti-inflationary impact of cutting tariffs, U.S. textile tariffs stand at an average of about 24 percent. The Swiss Formula would cut them

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[1] William R. Cline, T. O. M. Kronsjo, Noburu Kawanabe, and Thomas Williams, *Trade Negotiations in the Tokyo Round* (Washington, D.C., Brookings Institution, 1978).

[2] The job calculations using the 1974 base are 19,112 jobs displaced by imports and 5,361 jobs created by exports. The ratios of real textile trade levels in 1977 to their 1974 levels are 1.14 for imports and 0.90 for exports. These ratios are applied to the 1974 job estimates to obtain the 1977-based job estimates. Import values and price increases are computed from *Textile Hi-lights*, March 1978, pp. 25 and 27.

to about 10 percent. The result to the American consumer could be a cut by about 10 percent in the price paid on imports of textile from Europe and Japan. This relief on prices would make an important contribution to the fight against inflation.

In summary, these calculations suggest the following: (1) Cutting tariffs on textiles would not cause a major trade balance loss. (2) Cutting tariffs on textiles would not cause an unmanageable loss of jobs—the labor displacement would be as low as one-tenth of one percent of the textile labor force annually. (3) Cutting tariffs on textiles would reduce consumer prices by about 10 percent on imports from Japan and Europe. (4) Including textiles in the package negotiated at Geneva should make it much more likely that other countries will be forthcoming in their own offers of liberalization, making possible increased U.S. export opportunities and the general economic benefits of freer world trade through stimulus to investment, increased economies of scale, and lower prices to consumers.

TABLE 1.—INCREASES IN U.S. TRADE IN TEXTILES AS THE RESULT OF TARIFF CUTS ACCORDING TO THE SWISS FORMULA

[In millions of dollars, 1974 trade value base]

	U.S. imports from	U.S. exports to
Japan	359	5
Canada	25	125
EEC	251	79
Belgium Luxembourg	19	(1)
Denmark	4	
France	31	
Germany	67	
Ireland	15	
Italy	49	
Netherlands	9	
United Kingdom	57	
Australia	8	12
Austria	10	2
Finland	1	1
New Zealand	4	3
Norway	1	4
Sweden	4	4
Switzerland	12	2
Total	676	236

[1] Not applicable

Mr. HOLLAND. Thank you, Mr. Cline.

I wonder if you could tell us, in view of the testimony earlier today of Mr. Smith, that there had been pitifully little reciprocity in officers from our trading partners, what gains are you talking about that run into—as you say—billions of dollars? Could you be more specific? I would like to know what gains exactly you place that vast monetary value on.

Mr. CLINE. I think the comment that we have had little reciprocity from the other partners does not perhaps take account of what does seem to be achievable. It is true that in certain areas such as agriculture we would like to get a lot more, but even if one looks at the level of tariffs and the tariff negotiations alone, primarily on industrial goods but also on agricultural goods but omitting nontariff barriers in agriculture, I think that we have got a considerable amount out of the trading partners.

Mr. HOLLAND. Let me interrupt you there. Mr. Smith testified today. He flew here fresh from Geneva and I presume you did not come from Geneva today. What he says would seem to me to be more of an up-to-date view, and I am wondering how Brookings can justify making some vague statement about billions of dollars in gains when actually, sir, I take it from what you are saying that you really don't know that?

Mr. CLINE. When the Europeans made their initial offer—if I may answer indirectly—their offer amounted to about a 20 percent tariff cut, sir. That was a number of years ago. The Europeans within the last year came a long way and agreed in principle to the so-called Swiss formula which would reduce tariffs by more like 40 percent.

It is on the basis of that more complete picture of where we have come from, where we started, that I say that it seems to me that there is considerable reciprocity; and I am not privy to what is happening at the moment. It is possible that there is a lot of talk about withdrawals, but certainly in terms of the potential from the formula, which my understanding was that the Europeans and the Japanese had come to agree upon as a principle—and this was announced by Mr. Strauss a number of months ago—it would represent considerable reciprocity.

Mr. HOLLAND. Are you familiar with the recent Japanese agreements to do this and that we have a trade imbalance with that country and the real fact that they really haven't done anything but promise? There has been no performance. Would you register that in your Brookings Institute scale as a gain, the mere fact of obtaining a mere promise, is that a gain?

Mr. CLINE. My understanding of the principal problem in negotiations with Japan, or one of the problems, is that they unilaterally and voluntarily reduced their tariffs 2 or 3 years ago, and they are saying that the tariff cuts which they should now apply should be against their original, legally bound tariffs, in other words, before they made their voluntary reductions.

Now if one takes the position that that is not acceptable, that instead they should cut their tariffs by 40 percent from what they are right now, then one could make the case the Japanese have not been forthcoming. I think one can make the case, however, that that is a fairly narrow approach and that it is an approach which penalizes any voluntary tariff reductions by Japan in the future or by any other country in the future and that in broader terms, again looking at the situation with a bit more historical background, that it does make some sense for them to cut from the bound rates as of 3 of 4 years ago. As I understand it, that is one of the main reasons that there is a dispute on the Japanese degree of reciprocity in the negotiations.

As far as agricultural nontariff barriers, it is my impression that the Japanese have not done much to liberalize those restrictions. At the same time my impression is that we have vastly exaggerated the extent to which those restrictions impede American exports. We have exaggerated the notion of how much additional exports we would obtain if those barriers were eliminated, and we do have some estimates on that subject in the Brookings study.

Mr. HOLLAND. Who commissioned your study?

Mr. CLINE. My study was not commissioned; it was my idea to prepare it, resulting from some of the research work I had done in the Treasury Department in 1972. I, with the assistance of the Brookings Institution, sought financial assistance from a number of sources and we obtained financial assistance from the Labor Department, the Sumitomo Foundation, and the Rockefeller Brothers Fund.

We did have an objective of obtaining multilateral funding insofar as possible in order that the study would be credible both in the United States and abroad.

Mr. HOLLAND. Isn't the credibility somewhat shaken by the recent adjustment you made in your figures? For instance, you have gone down from 41,000 jobs to 17,000 lost. You dropped from 1.65 percent job loss to a figure you stated a short time ago, and I didn't write it down. Is that sort of inconsistency an element of credibility, do you think?

Mr. CLINE. Those figures, sir, are completely consistent because the figure, the 41,000 jobs, referred to a completely different event from what we are considering today. That figure refers to the amount of jobs that would be lost if there were a 60-percent tariff cut on all imports, and, in addition, if quotas on products coming from countries like Hong Kong, Taiwan, Korea, if those quotas were liberalized sufficiently to allow that tariff cut to be effective.

Now that scenario is not the subject of today's hearing and the figures I prepared for today's hearing are for a very different concept. These figures refer to keeping those quotas exactly where they stand on countries like Hong Kong, Korea, India, Taiwan, Brazil, but allowing the tariffs on the goods that we import from Japan and from Europe to decline. The central thrust of my testimony today is that it is only a minority part of our total textile imports which is going to be affected by cutting tariffs because the marjority part is covered by multifiber agreements and is limited by quotas and would not be affected; so I think my estimates now are perfectly consistent with my earlier estimates.

Mr. HOLLAND. You stated something that the gentleman who preceded you could not state. You stated if this tariff reduction took place it would be a 10-percent reduction in prices to consumers. How can you make that statement when the gentleman who preceded you, who is in the business for a profit, I presume, couldn't?

What is the basis for your 10-percent reduction? He didn't have one. He wouldn't speculate that there would be any reduction in December.

Mr. CLINE. First of all, the data we have to work with, sir, are the tariff levels, which stand at an average level of 24 percent for these products, and I have calculated this average from the detailed trade and tariff data tapes that were used in the GATT negotiations, with data at terribly detailed levels. So the average tariff level for textiles is 24 percent.

The Swiss formula calls for almost a 60 percent cut in tariffs that are this high. So that means that the tariff would be cut from an average of 24 percent down to an average of about 10 percent.

Now if we take that difference and divide it by the orginal cost of the import plus the original tariff, we get the percentage reduction in the cost of the imported goods, which turns out to be about a 10-percent reduction.

As I understand Mr. Strawbridge's testimony, if the product landing at the port goes down by 10 percent in cost, then that eventually will translate into a reduced cost to the consumer of 10 percent; so that that would be the basis on which I would make that statement.

Mr. HOLLAND. You mentioned rather vaguely that other export jobs would have their effect in the economy. What other export jobs? I hate to get so specific, but when you throw out something like that, I understand there are export jobs that are in technology, in light water reactors and computers, and so forth.

Mr. CLINE. Yes, we do have estimates by sector of the places where jobs would be gained, and for the United States they are in sectors such as agriculture and chemicals—now I am speaking about sectors in which there would be a net gain in jobs because exports would rise by more than imports if we reduced——

Mr. HOLLAND. Exports would rise, in your opinion?

Mr. CLINE. On the basis of the results of this study. I wouldn't call it so much an opinion as the results of the study.

Mr. HOLLAND. Would you be willing to guarantee that in writing?

Mr. CLINE. In a sense, I have, by publishing the document. I guess I wouldn't be prepared to foot the bill to any cost, but I guess there is no particular way anyone can guarantee such an estimate.

Mr. HOLLAND. The study you mentioned earlier that you said Burlington commissioned is in writing also. Which point are we going to take, yours or theirs?

Mr. CLINE. I would leave that to you, sir.

Mr. HOLLAND. We have had, I believe, in about the last 3 years some 50,000 workers who received adjustment assistance awards. Is that approximately correct?

Mr. CLINE. I don't have the accurate figures on that. I am sorry.

Mr. HOLLAND. That doesn't figure into your calculation? You did make a statement that adjustment assistance would be available to 17,000 workers?

Mr. CLINE. That is right. What we do have on adjustment assistance is, we have applied the average cost of adjustment for a trade-impacted worker, which comes out to be about $3,000 per worker.

Mr. HOLLAND. In figuring that average cost, didn't you have to find out how many had been handled and awarded and paid?

Mr. CLINE. The figure was based on a study also published at the Brookings Institution on adjustment assistance and that study does have all of those figures, and I would be happy to get a copy of that for you. HoweverI do not have at my fingertips the number of jobs covered by adjustment assistance.

Mr. HOLLAND. Did you hear Mr. Broyhill say this morning that one of his communities had 800 people instantly out of work because a textile mill had closed?

Mr. CLINE. No, I did not, sir. I arrived about 20 minutes late.

Mr. HOLLAND. He testified to that; it is in the record.

Does your statement consider that sort of factor? The fact or the facts as you present them have it that there is going to be employment scattered evenly across this entire land. Do you consider in your study that in one community 800 workers are out and in another community 900 workers are out and in effect the entire community is out of work and not easily absorbed into the national economy, do you take that sort of factor into account with this study?

Mr. CLINE. No, sir, I do not have the geographical concentration of these job effects. The study by Robert Baldwin at the University of Wisconsin, since it is only on the United States, whereas this study is for all of the industrial countries, does have much more detail, and I believe it does have figures at least by the State level on the concentration of job impacts from tariff reductions.

Mr. HOLLAND. That would be relevant, wouldn't it, to your projections about how this economy and the normal rates of attrition are going to absorb all this joblessness? For instance, could you take the steel mill closing in Ohio where we have 4,000 or 5,000 suddenly out of work, and going further out in history with the coal miners out of work in West Virginia, and crank some factor in, to be a little more convincing than by attrition that this economy is going to absorb these lumps of people who are out of work?

I suggest to you until you do it your study is incomplete, is it not?

Mr. CLINE. It is always difficult to say when a study is complete. There is a large number of additional details that would be nice to include. I agree that it would be very fruitful, a very enriching part of analysis, to be able to examine the adjustment cost more thoroughly. For example, the $3,000 figure that I cited might go up to $5,000; it might go up to a higher figure, in those sectors where an entire community is suddenly affected and where there are no job alternatives, I agree that would be a very useful kind of further analysis for entities such as the Congressional Research Service to explore.

I would be happy to lend all the assistance I could in providing my data base to pursue that kind of analysis.

Mr. HOLLAND. Would it be possible for you sometime in the near future to include those factors into this study and extend it, so we might benefit from a total presentation as we consider this and other trade problems that are going to come before this Congress?

Mr. CLINE. I could make some effort perhaps, based on the Baldwin analysis.

Mr. HOLLAND. Understand, I am not commissioning you to do it; I am not going to pay for it. It seems to me if you are going to present a picture to this committee it should be total and consider the uniqueness of whatever industry you are talking about.

Mr. CLINE. I would certainly make a best effort, sir, to give some additional ideas along these lines.

Mr. HOLLAND. Thank you very much.

[The information follows:]

THE BROOKINGS INSTITUTION,
Washington, D.C., July 14, 1978.

Hon. KENNETH L. HOLLAND,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. HOLLAND: The enclosed table A-1 provides the detailed estimates of employment effects which you requested during the hearings on H.R. 18053 on July 10, 1978.

The table shows two major patterns. First, the great bulk of job losses would be concentrated in apparel products. By contrast, textile mill products would actually experience a higher increase in export-related jobs than the decrease in import competing jobs.

Second, the table shows that apparel job losses would exceed 500 jobs in only 13 states. Among these, the largest loss in absolute terms woud occur in New York. Relative to the labor force, in these 13 states the jobs lost to apparel imports range from approximately 0.02 percent of total employment in California to 0.12 percent in Mississippi (the only state where the loss would exceed one tenth of one percent).

These results suggests that even at the more detailed geographical level there is little evidence that cutting tariffs would cause serious dislocation of labor. The results also suggest that, to the extent that an adjustment problem exists, it is located in the apparel industry, not the textile mill industry.

Sincerely yours,

WILLIAM R. CLINE,
Senior Fellow.

Enclosure.

TABLE A-1.—*State and sector detail for employment changes from reducing textile tariffs by the Swiss formula with quotas unchanged (1977 base)*

	Job change
I. Jobs lost to apparel imports—States with more than 500 jobs lost:	
Alabama	676
California	1,231
Georgia	1,002
Massachusetts	682
Mississippi	570
New Jersey	964
New York	3,374
North Carolina	1,035
Pennsylvania	2,240
South Carolina	657
Tennessee	1,026
Texas	1,034
Virginia	546
Subtotal	15,037
All other States	4,509
Total	19,546
II. Jobs lost to textile mill imports—States with more than 500 jobs lost:	
North Carolina	652
All other States	1,590
Total	2,242
III. Jobs gained in apparel exports—Total	1,088
IV. Jobs gained in textile mill exports—States with more than 500 jobs gained:	
North Carolina	1,087
South Carolina	553
Subtotal	1,640
All other States	2,097
Total	3,737

Source: Unpublished estimates, Brookings study on trade liberalization. Job changes allocated in proportion to each State's share in total sectoral employment as reported in U.S. Department of Commerce, "County Business Patterns 1973."

Mr. VANIK [presiding]. The next witness is Mr. Steinberg.

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

Mr. STEINBERG. Mr. Chairman, I am David J. Steinberg, president of the U.S. Council for an Open World Economy. Our council represents no special interests, no special commercial interests. We are a nonprofit organization engaged in research and public education on the merits and the problems of achieving an open international economics system.

In the interest of time, Mr. Chairman and Congressman Holland, I would like to make just one brief point. In fact, my determination to stay to the end of this long day reflects the keen interest I have in making this one point in oral testimony.

The Congress should not be addressing itself to additional ways to restrict imports, in this case imports of textiles. The Congress ought to be addressing itself, and urging the administration to address itself with all deliberate speed, to the urgent adjustment problems of the weaker industries of this country, in this case the textile industry, and to the extent that Government help is needed to provide that help through a balanced, coherent policy of constructive assistance to the particular industry, in this case a textile adjustment strategy.

My concept of adjustment assistance goes pretty far beyond the conventional definition of adjustment assistance as we have come to know the term in the trade legislation.

Adjustment assistance, an adjustment strategy, should include by Government reassessment of the policies that materially affect an industry's ability to adjust to increasingly freer world trade, to determine if there are any unfair policies that materially impede the industry's ability to adjust, and to correct any inequities that may exist.

The correction of such policy inequities is, in my definition, a form of adjustment assistance. It should be part of an adjustment strategy. I think the classic example that I have used in so many forums, including many congressional hearings over the years, does concern textiles.

For some 8 years or 9 years we had a two-price cotton system. American cotton textile manufacturers had to pay substantially more for American cotton than their foreign competitors paid for American cotton, maybe 20 percent more, something like that. That was unfair to the American cotton textile industry; and after about 8 or 9 years of that inequity the Government in its wisdom terminated the inequity. How it did it, I think, is still controversial but the inequity, the disparity, was terminated. That is a form of adjustment assistance; it belongs in my concept of an adjustment strategy.

Now this morning—and I think early this afternoon—there was some attention given to the possibility—and some people regard as the certainty—that the environmental controls impose unfair burdens on the American textile industry. I am in no position at this time to discuss the merits of that contention, but I would certainly urge that our environmental controls be thoroughly reassessed, to determine if there are any inequities that impinge unfairly on the ability of the textile industry to adjust to increasing foreign competition.

The tax code—somebody mentioned that earlier—that, too, should be reassessed with this objective in mind, and I wouldn't stop there. I would go through the whole gamut of policies materially affecting the ability of the industry to adjust. If there are any inequities, get rid of them. If there are no inequities, the American people should know that there are no inequities, that the Government's policies affecting the industry are fair, and then we proceed from there.

So, in short, what I am saying is that we should not be devising new ways to restrict trade. I think that the exemption of textiles from trade negotiations is a simplistic approach to the subject. I think it would be disruptive of the trade negotiations at this very late hour in the trade negotiations. But let us move quickly, to the extent that Government help is needed for this industry, let us move quickly to devise an adjustment strategy to help the industry adjust to whatever tariff concessions are made in these negotiations. And I would apply this same principle, Mr. Chairman, to every industry whose products are the subject of special trade controls—steel or whatever it happens to be.

I will conclude on that point.

Thank you.

[The prepared statement follows:]

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

The U.S. Council for an Open World Economy, representing no commercial interest, is a private, nonprofit organization engaged in research and public education on the merits and problems of achieving an open international economic system in the overall public interest.

The Council opposes H.R. 10853 et al. which would exempt from tariff reductions in the current round of trade negotiations those products subject to trade controls under section 204 of the Agricultural Act of 1956. The products currently so covered are textiles and apparel of cotton, wool and man-made fibers.

The statutory exemption of certain products from the trade negotiations was, at the outset, ill-advised. Such exemptions, and provisions for executive exemption of other products, was in effect a revival of the old "peril point" exercise which in its own day was a farce. This discredited practice was discontinued in the 1962 trade legislation, but implicitly it still tarnishes trade-policy judgments in Congress, the Administration and the International Trade Commission. Government should be concerning itself with the problems of the nation's weaker industries, but doing so coherently and constructively. Exemption from trade negotiations does not meet this standard. Direct, deliberate concern with adjustment problems is the course needed. Exemption from the trade negotiations is a form of government assistance. To the extent that any trade-control assistance is needed, it is justifiable only as part of a balanced, coherent policy of constructive assistance to a deserving industry whose problems and needs have been thoroughly diagnosed. Exemption alone tends to divert attention from the search for sound answers to these problems and needs.

Since products subject to trade regulation under the escape clause and other import-control measures stipulated in the Trade Act of 1974 are exempted by that legislation from the current round of trade negotiations, it would theoretically appear consistent with such exemptions to exempt section 204 products as well. However, such an exemption, if made at all, should have been made when the Trade Act was enacted. To do it now, at this advanced stage of the trade negotiations, would be highly disruptive, indeed a mischievous step, in addition to expanding the distortions of what is simply and simplistically a textile-trade-restrictions policy and a far cry from the coherent textile policy—the textile adjustment strategy—that is long overdue.

The systematic renewals of the multifiber textile arrangement, without the framework of an industry adjustment strategy looking toward the earliest termination of this trade-control agreement, are distortion enough. Exemption of textiles from the trade negotiations, particularly at this late date, would not only magnify this distortion. It would have serious consequences for the effectiveness of the whole trade negotiation, threatening the benefits which the nation stands to gain from this round of negotiations. Another cost would be the weakened credibility of U.S. concern with the aspirations of countries which are not only less developed but whose raw-material resources are crucial to our country's economic viability—thus weakening U.S. leverage in urging these countries to be reasonable and responsible in their raw-material export policies.

Congress should reject the exemption bills, and instead of such measures ask the President to devise as quickly as possible (in cooperation with industry, labor and the affected communities) a coherent adjustment strategy, not only for textiles (which should be given a high priority) but for all products covered by special trade controls., An adjustment strategy calls for more than what "adjustment assistance" has come to mean under the trade legislations. It should include a reassessment of all domestic policies materially affecting the particular industry, to make sure that none of these policies unfairly impedes the industry's ability to adjust to increasingly freer foreign competition. For example, nearly 15 years ago the government corrected the two-price-cotton inequity which had placed U.S. cotton-textile production at an unfair disadvantage in international competition. How many other inequities are there? Let's find out and correct those that are found.

In short, instead of expanding the ill-conceived exemptions in the original statute, the government should apply to textiles as perhaps the top priority the adjustment strategy that should have been set in motion for all industries whose products are deemed exceptionally sensitive to foreign competition. This would show determination to address the real problems of these industries and set the stage for a new, more enlightened approach to these issues when the next round of trade negotiations is planned.

[For Burlington Industries study prepared by Data Resources Inc., Department of Commerce critique of study, and Burlington-DRI response, see p. 344.]

Mr. VANIK. Mr. Steinberg, you know when you talk about the matter of OSHA and EPA problems, I don't think you propose that we should relax our standards or expectations or our regard for the environment here?

Mr. STEINBERG. No, we should not, Mr. Chairman.

Mr. VANIK. You probably propose that we expense it, as I have suggested, so that at least they get some benefit in their taxes for these expenditures that must be made for nonproductive things; but that still doesn't solve the problem of goods coming into America that are made in what I might say is a dirty, productive system, something that fouls up the atmosphere, something that destroys the environment. What do we do about those things coming from a foreign country? My weekend was very upset, by a very scholarly article that appeared last week, in which the writer addressed himself to the problem of our exporting our dirty industrial operations abroad, where they don't have to comply with these standards.

Now the world is our environment and if these remote parts of the world become contaminated, it is going to spread and cause all of us injury and harm.

What do we do about these foreign plants? We can do something about our own; we can give them a tax adjustment. We might do some other things to help them other than relaxing the standards we deem necessary.

How can we deal with those abroad?

Mr. STEINBERG. In the first place, I would like to be sure, Mr. Chairman, that the controls, the environmental controls that we have, are fair.

Let's find out if they are fair. Let's get the testimony of this industry.

Mr. VANIK. You are suggesting that we have overreacted to protect the environment. Maybe we ought to relax our anticipation?

Mr. STEINBERG. I don't think it means relaxation.

Mr. VANIK. I know I get more letters from constituents about the plight of the snail in Nevada and the burro and little fishes that are part of the environment. I get about as much mail on those environmental issues as anything else, and I am sure every Member of Congress does. The little animals of the world have many friends; they probably have more friends than the people do, and that is probably all right; but what can we really do?

For example, Mr. Udall is very much concerned about his copper industry and some of the other mineral industries of his State having to comply with these tremendously expensive pollution control requirements and then competing with a very dirty producer that smelts abroad. Is that going to create a better world for us? Should we give free entry to goods that are produced in conditions of filth and things that are destructive to the environment? Because if they are destroying other parts of the world, it is our world, too, and it is going to have a contagious effect.

Mr. STEINBERG. I am not expert on environmental controls, but I would certainly like to see this subject discussed in the trade negotiations. How you deal with it in the trade negotiations, I really don't know. I don't think the subject ought to be avoided.

I think that the point you make, Mr. Chairman, ought to be made, just as explicitly as you made it, in the GATT negotiations.

Mr. VANIK. You mean we ought to have an environment-controlled tariff or something for those that are dirty, so that we can——

Mr. STEINBERG. I don't know how you quantify it.

Mr. VANIK. That would be restrictive. What concerns me is how we give extra territorial effect to the things that we might agree are necessary.

Mr. STEINBERG. But it is also possible, without relaxing environmental controls, that there may be areas of unfairness in these controls.

There may be unfair burdens. Let's find out if there are any.

Mr. VANIK. We are dealing with that. I think industry has got Congress all aroused about what they consider an overreaction by the Congress, and there may well be in certain areas. We may have asked some impossible things be done; but I think the high purpose of those people that have asked us to do these things is something that we can't disregard. They love the world; they are not destroying it. They are among those who are seeking to protect it for the future generations and these are high purposes that motivate the forces of environmental protection.

Mr. STEINBERG. And I am in no way denigrating these efforts, Mr. Chairman, in no way. What I am saying in the broad sense is that right now, with respect to textiles, we have, and have had for a long time, a textile trade restriction policy, but we have not had a textile policy, as I define coherent textile policy, addressing the real needs and problems of this major industry.

Mr. VANIK. You are also suggesting something that is going to be costly to Government; you are talking about an assistance program for weak industries, and we just left the meeting of the Ways and Means Committee where we finally reported out a debt ceiling bill. We haven't got a prayer in the world of passing it. But you are now dealing with a situation of a phenomenon in America where there is no more tax revenue to be lost or given. There can be really no new programs. It is unrealistic to suppose that Congress will appropriate, either through tax policy or through some direct expenditure route, the kind of things that you recommend are necessary to restore vitality to an industry that is running out of steam.

Mr. STEINBERG. I doubt if the correction of the two-price cotton problem cost the Government a lot of money. In other words, the correction of policy inequities doesn't really cost anything, and yet it is a form of adjustment assistance.

Mr. VANIK. I have been here for 24 years and it seems that everything costs an awful lot.

Mr. STEINBERG. Relatively speaking.

Mr. VANIK. I will yield to my colleague, Mr. Holland.

Mr. HOLLAND. Thank you, Mr. Chairman.

Sir, I like the name of your organization, "Open World Economy" and I appreciate your advice about what Congress ought to do. Maybe I will give you a little free advice.

Don't you think we would have a more open world economy if the tariff barriers, the other barriers, nontariff, Government subsidy programs, lack of OSHA and EPA requirements, slave wages and all the other filthy conditions that prompted somebody to say what this country is doing is importing exploitation—don't you think we could have a better and more open world economy if groups like yours would help us deal with these other countries and convince them that their marketplace is ours, as long as ours is theirs?

Mr. STEINBERG. Yes, sir.

Mr. HOLLAND. Well, help us bring that about. I am not a protectionist, but I think there is a certain amount of built-in idiocy for this Government to be trying not only to maintain but to liberalize a policy that has allowed just that.

We are also importing poverty among our workers who are going to get $3,000 of $5,000 to be readjusted somewhere along the way. It seems to me that this country over the past decades has sacrificed, has done everything it can, to foster foreign enterprise. This bill, I agree with you, is not going to secure the textile industry, but it is going to serve notice on the other countries around this world who do enjoy the benefits of our marketplace that we anticipate and expect and demand ready acccess to their marketplace.

Mr. STEINBERG. I agree on the needs for easy U.S. access to foreign markets. If any council had the resources that it earnestly would like to have, I would be going around the world urging just this message on other governments.

We are a very poor organization.

Mr. HOLLAND. We had some testimony earlier about the Rockefeller brothers and all this. Do you think we could get that crowd to assist you, fund you a little bit?

Mr. STEINBERG. I have been trying to get money from big business, Congressman, and I have not been very successful in this respect. Maybe it is that my concern with no interest except the public interest is not the kind of standard that maybe turns on a lot of contribution committees in American corporations. It turns on some but not as many as I would like.

On the matter of labor, I would like to see the General Agreement on Tariffs and Trade have a provision on fair labor standards. It doesn't mean that the United States can impose its own labor standards on GATT, but some provision there that commits governments to adhere even in a very general sense to certain basic standards that might be called fair labor standards would be a step forward.

How you penalize those countries that refuse to subscribe to that sort of thing, I don't know, but let's work at it.

Mr. HOLLAND. What about penalizing them by excluding their goods entirely from this Nation's shores if they don't meet the same quality air, dust, noise, whatever standards that we require of our own industry, or would that be too much of an upheaval in the international trade picture?

Mr. STEINBERG. I really can't answer that adequately because I am no expert on the environment. I remember some years ago I testified on the question of applying to agricultural imports the same pesticides standards we have in this country. I opposed such a bill. There are certain technical variables that apply to us that don't apply to other countries, and it is unfair and really harmful to say that other countries ought to subscribe to our concepts of pesticide control or, in this case, environmental control.

There are certain technical points in this respect that I am just no expert on, so I would rather not make a judgment on how far to go in this regard. I would be very hesitant, certainly, about imposing a penalty on a foreign country if it did not implement the kind of environmental standards that we implement in this country. I think this would be disruptive of world trade and, as I say, imposing our standards on somebody else, in the strict sense, would be unfair.

Mr. HOLLAND. By imposing it here and not requiring it abroad, we do give our own domestic industry a bit of disadvantage, do we not?

Mr. STEINBERG. I think they are at a disadvantage and some step ought to be taken perhaps through some form of adjustment assistance that we maybe haven't contemplated yet in the adjustment assistance program; but in addition to that we ought to be urging foreign governments in the trade negotiations and in other international forums to subscribe to the kinds of environmental controls that are urgently needed for mankind, not just for the United States but also for mankind.

Mr. HOLLAND. Thank you.

Thank you, Mr. Chairman.

Mr. VANIK. Thank you very much. We certainly appreciate your testimony, Mr. Steinberg.

Mr. STEINBERG. Thank you, Mr. Chairman.

Mr. VANIK. I told you before, we appreciate your live and warm interest in this matter; we have learned from it. I think, frankly, that down the line it is time for us to do something about fair labor standards in GATT, along with the environmental issues.

As you would rank the countries that you consider being liberal trading countries, where would you rank the United States and whom would you rank ahead of us? Everything is relative, you know.

Mr. STEINBERG. I don't know how I would answer that.

Mr. VANIK. Who is freer than we are, all things considered?

Mr. STEINBERG. Yes, all things considered, exactly. It depends on what you crank into this. Does this include, as it must, our insistence on orderly marketing agreements in various products?

Mr. VANIK. Certainly, surely.

Mr. STEINBERG. Everything included; I really can't think of anyone offhand who is freer, who is more liberal in trade policy than our country.

Mr. VANIK. I think you are right. I think you are absolutely right. I wish you would, if you could, be testifying in Japan or in Germany——

Mr. STEINBERG. I would love it.

Mr. VANIK [continuing]. And in some other places and help this cause; but the question is, to what degree and for how long can we offer so much to our trading partners—this is really what we are all talking about—and getting so little in return? Some people would say Germany is probably a freer trade place, or Sweden might be; but then I say, our industrialists, our taxpayers, our workers, carry other burdens for Germany. The NATO defense structure, for example, is a burden that has to be shared by all enterprise in the United States, something we do for them, and it adds to our cost.

If the costs of American production are going to involve the high cost of protecting freedom throughout the rest of the world, that is an added burden and there ought to be a freedom issue down there at GATT too. Maybe we ought to add that to the package. My own guess is that GATT is already overloaded with what they have and I don't think that machinery there is going to produce that much as fast as necessary, in our economy, in the world economy.

I am afraid that they are so far behind and the backlog is so serious and difficult there that I don't know that they can take these added burdens. I think, relatively, we lead the world in what we offer.

You could also go to tax policy, countries that have tax policies that permit high concentrations of wealth among a few, and tax policies which prohibit the development of a middle class, which is true in many, many parts of the world.

What makes America the rich figure that it is for trade and commerce is that through the providence of our Government and our income taxes, the very harsh income tax system, we have created a middle class and that is something that is very, very important to this country, because it is this middle class with more purchasing power that has made America so attractive a marketplace for the goods of the world.

So there are some other things that are involved that we have done and done well, and I am afraid there is a current effort in the United States to drift away from that. I think the great danger that threatens us today in tax policy in America is that we are going to be drifting toward a tax system which will probably follow patterns that are existent in other parts of the world, to permit high concentrations of wealth and high development of poverty or low-income groups.

I think that we are threatening these things because of current tax discussions, but in any event I feel all of these things are in the pot and should be considered.

I would say, politically, there is very little interest in America in moving dynamically a great distance ahead to further liberalize trade. I would have to tell you that, realistically, the political forces seem to indicate some retraction or some withdrawal from our present levels of liberal policy and maybe we ought to be thinking in terms of a defensible position somewhere between where we are and where we might be, because it isn't the United States that is going to be protectionist in this whole scheme of things. It is the United States trying to hold a viable position among other parts of the world which are going to be moving toward more protection. My fear is that the current discussions in the Tokyo round may be a regressive round, and that we might have to adjust to that.

Mr. STEINBERG. Mr. Chairman, could I make just one more point here, and that is, and it may sound very theoretical to you and Congressman Holland for me to say this, but I believe it can be made very practical. The United States has got to adopt what I call a free-trade strategy. I don't mean Milton Friedman free trade, where we go to free trade next Tuesday morning or a year from now, but a strategy where we invite the other industrialized countries to join with us in a long-range program for freeing up world trade in accordance with a realistic timetable.

We may never achieve free trade, but at least if we programed it and had strict standards for departing from the schedule, that would be, for me, an adequate free trade policy. We came pretty close to articulating a free trade policy in 1962 when the Congress passed the Trade Expansion Act of 1962. That wasn't complete free trade but it got pretty close to it; and I think that it is realistic to talk in these terms. I think that the effect of such a call from Washington, the effect on the world, would be electrifying because then we would have a definitive program over a realistic timetable for phasing out all kinds of trade restrictions, including nontariff barriers, by all means nontariff barriers. It may take to the year 2000 to phase out the last barrier on the last product.

In fact, you may never phase out the last barrier on the last product, but at least let's try to program it and don't let the less developed countries off the hook either, because they have to make their commitments to liberalize their trade restrictions which in many cases are very, very mountainous trade restrictions, in many cases restrictions they ought to be liberalizing.

We don't have an adequate trade policy that the world can depend upon. Uncertainty around the world as to America's intentions, I think, has a very, very powerful effect on the response of the rest of the world.

Mr. VANIK. I think trade certainly is one thing that is going to solve more problems than anything else, and I think that people will live with restraints if they know about them. It is the uncertainties that disrupt trade and destroy it.

Just one other thought that I have, and we are talking philosophically, as we usually do at this point in the hearings, but trade is very closely related to tax policy. I am studying the tax advantages for the multinational corporations. I just don't want to have trade used as a tax obligation escape route, so that those who produce and produce for profit can invest these profits, these profits from taxation, anywhere in the world.

We have out there in the the free world today, as I said once before, a floating crap game. There is a lot of money to be invested; it is invested in various parts of the world without any great human interest or social obligation. It is invested where it can be invested with the payment of minimal taxes, and that is why companies often develop projects in far off places, because those are usually tax-free havens where fortunes can be guaranteed and the resources can be deposited in Geneva, secure from the tax collectors of the world; and I have to be convinced that some of the trade practices we are engaged in are not actually a tax diversion effort. I think what we have to do among the nations of the free world is get to a common tax policy to be sure that someone gets them, because if anybody goes free, then it creates a tremendous unfairness for those who are contributing to the support of some country or some people.

I am glad, for example, that trade policy is in the committees with tax policy, because there is a very close interrelationship between the two. Now, tax policy is responsible for a tremendous amount of trade activity in the world and companies move from country to country or can move their operations or can use tax credits from one country in another. They are always finding some way to avoid the tax collector, and I hope that our friends at Brookings and some of the other people might be just checking to see how deep and how serious this problem is, because if someone tells me they are paying taxes somewhere, I am satisfied. If another country is more prudent than we are in collecting it, good for them, and maybe we can learn something from them; but if the pattern becomes one of moving production and enterprise in an atmosphere and a climate where there are no taxes or where the tax bite is so little, that, too, creates a tremendous unfair advantage. So, while we have those dicussions on trade and pack these additional duties on our negotiators at Geneva, I think it is time for us to have a free world tax conference and deal with this issue of providing for a uniform system of taxation, so that none of us competes with each other on the basis of creating a haven country or a place where the deposits and the investments might be made and the profits be made free of taxation.

That is the ultimate freedom that everybody wants and that ultimate freedom for some means a tremendous amount of slavery for others. I think that is the sort of thing we have to control and watch for.

I want to thank you very much. I appreciate your testimony.

This hearing is now concluded. I want to suggest that on Tuesday of next week we are tentatively scheduling the appearance of Ambassador Strauss who will report to the Trade Committee on the progress on the MTM.

This committee is adjourned.

[Whereupon, at 4:55 p.m., the hearing was adjourned.]

Statement of Hon. Bill Alexander, a Representative in Congress From the State of Arkansas

Mr. Chairman, I appreciate the opportunity to share my views with the Subcommittee on H.R. 10853, legislation providing for the exemption of textile and apparel items from tariff reductions negotiated in the current "Tokyo Round" of multilateral Trade Negotiations.

The problem of textile imports has been a consistently nagging one to domestic industries. Over the past 10 years, textile imports have increased a staggering 71 percent while the U.S. market has grown only 28 percent. The net effect has been the loss of an estimated 350,000 jobs.

The problem is especially acute for cotton. In 1977, more than 670 million pounds of cotton yarn fabric and apparel were imported, maintaining the level of imports at about 20% of the U.S. market for cotton.

The continued erosion of cotton's domestic market by textile imports threatens more than four million people who depend directly on cotton production for their livelihoods.

In my home state of Arkansas, cotton is grown on nearly 8,000 farms. In 1977, revenue from cotton and cottonseed to Arkansas farmers totalled $292 million, making Arkansas the nation's fifth largest cotton-producing state.

The importance of cotton to the state of Arkansas can be seen from the fact that revenue from cotton and cottonseed was over ⅓ as much as the entire payroll of all manufacturing industries within the state.

It is obvious, then, that the continued loss of the domestic market to textile and apparel imports will have a devastating impact on Arkansas and other states which are heavily dependent on cotton production.

Many of the jobs that would be lost are in rural areas where job opportunities are few. It's doubtful that rural communities could survive such an economic loss.

This is why, Mr. Chairman, I join with the other members in the House urging that our position in seeking renewal of the multifiber arrangement and our bilateral agreements with exporting nations be one which will result in a more equitable rate of growth in textile imports.

Mr. Chairman, this bill, of which I am a co-sponsor, does no more than to give to textile and apparel products, for which import relief authority is provided under section 204 of the Agricultural Act of 1956, the same treatment regarding tariff cuts as those products for which import relief is provided under the Trade Act. This legislation is fair and equitable. I urge that the Subcommittee report this bill to the full Committee and subsequently to the full House for approval.

Thank you.

Statement of Andrew J. Biemiller, Director, Department of Legislation, American Federation of Labor and Congress of Industrial Organizations

The AFL-CIO supports H.R. 10853 to exempt textiles and apparel products from the negotiations now underway in Geneva. This bill will make a technical change to carry out the Congressional intent to reserve from such negotiations those products on which the President has taken import-restraining actions. Textile and apparel products clearly fall into this classification.

The bill amends Section 127(b) of the Trade Act of 1974 which directs the President to reserve from negotiations those products which are already subject to import restraints under Section 203 of the Trade Act of 1974 because import injury has been determined. Under this provision, for example, color TV sets, shoes, CB radios and specialty steel are reserved from negotiations. But textiles and apparel imports are restrained under authority of the Agricultural Act of 1956 and therefore not excluded under the Trade Act. H.R. 10853 extends 127(b) to include them.

Import injury to jobs and production in textiles and apparel is an internationally accepted fact. There is no rational dispute about it. Floods of imports of all types of textile and apparel products have cost jobs and production throughout the nation. Hundreds of thousands of jobs are gone and communities have been disrupted throughout the country. The potential for further displacement of a work force of about 2 million manufacturing workers should be a matter of serious concern.

Presidential action is in effect for textile and apparel products to prevent excessive import injury. Section 204 of the Agriculture Act of 1956 allows the President to negotiate agreements limiting imports into the United States of any agricultural or textile product.

An international agreement, the Multifiber Arrangement (MFA), has also been negotiated and accepted by nearly 50 nations. Under the provisions of the MFA, a country may restrain imports of textile and apparel products through the negotiations of Bilateral Agreements with exporting countries, or, where no agreement can be reached, through unilateral actions.

The U.S. has therefore negotiated under the Multifiber Arrangement (MFA) and Section 204 of the Agricultural Act of 1956 quotas to limit imports of textile and apparel products of cotton, wool and man-made fiber. These equota agreements have been negotiated bilaterally between the U.S. and 18 countries. Therefore, textile and apparel products meet the intent of Congress in Section 127(b) to reserve from negotiations those items which are subject to Presidential actions because injury has been found.

This bill should not be necessary. The provisions of Section 127(b) also allow the President to "reserve from negotiations other articles which he determines to be appropriate" taking into consideration information and advice concerning negotiations from the various agencies of government. Unfortunately, however, the experience of the past few years in both Administrations has been a lack of conern for the import problems of American industry and jobs.

Since January 1975, when the Trade Act of 1974 became law, the United States has imported over $400 billion worth of merchandise. Only 31 cases have been decided under Section 201 of the Trade Act of 1974 which provides for investigation by the International Trade Commission to determine whether imports have caused injury to U.S. industry. Action under 203, which provides for import relief, has been put in effect for only 4 cases—shoes, color TV sets, CBs and specialty steel. Only these industries have received positive action by the President. It is no wonder that the textile and apparel industries have come to prevent further injury.

This subcommittee is well aware that even in the 19 cases where injury has been determined by the Commission, remedies have not always been forthcoming. The most serious case recently was that of industrial fasteners where this subcommittee recommended action and where the problem was referred back to the International Trade Commission for further study.

The Congress has made its intent about import-sensitive industry abundantly clear. The Trade Act of 1974 exempted textiles and apparel items under international agreement from Title V preferential tariffs—zero duties on imports from developing countires. Thus, it did not intend that further injury be allowed to take place. The same exemption was listed for "import sensitive" manufactured products. But, as the inrush of imports from the low-wage areas of the world attests, the government agencies do not usually act in the national interest against injurious imports.

Estimates of potential job losses from tariff-cutting are, therefore, not necessary to demonstrate the need for passage of H.R. 10853. But as the subcommittee is well aware, there are estimates for job losses in apparel from a variety of sources. Data Resources, Inc., states that a 50 percent cut would result in a loss of 200,000 jobs by 1985. This does not count the loss from supplying industries.

American industry that has been injured is thus threatened with even further injury from tariff-cutting. This was not the intent of Congress.

Similar problems have arisen in other industries. Many members of Congress, for example, have urged action to exempt the steel industry from tariff-cutting under certain conditions. Despite the Administration's efforts, imports of steel in the first five months of 1978 have been 50 percent higher than in the same period of 1977, according to Commerce Department figures.

The New York Times recently highlighted the fact that manufactured imports are now a primary cause of the U.S. trade deficit. The attached copy of an article from the July 5, 1978 issue shows the seriousness of the drain on the U.S. economy and on the dollar. The current disastrous situation is the result of administrative failure to protect the interests of U.S. jobs and production. $5 billion more imports than exports of manufactured goods in the first five months of this year is testimony to the cost that American workers and producers are paying.

For these reasons, the AFL-CIO urges immediate action on H.R. 10853. We also urge additional oversight on the on-going trade negotiations and on the need to carry-out and improve existing law.

Machinery, Manufactured Goods Replace Oil as the Top U.S. Import

July 5, 1978

Dramatic Shift Said to Alter Administration Strategy For Obtaining Concessions in Upcoming Bonn Talks

By RICHARD HALLORAN

Special to The New York Times

WASHINGTON, July 4 — Imports of machinery and transport equipment and of manufactured goods, mostly from Western Europe and Japan, have overtaken oil imports as the biggest drains in the nation's expanding trade deficit.

This dramatic shift in the trade picture appears to be having an effect on the Administration's economic policies and the planned tactics President Carter will use to try to gain concessions from industrialized nations at the Bonn economic summit meeting later this month.

The change in the import pattern emerged after an analysis of trade statistics covering the first five months of 1978 released by the Department of Commerce last week. It showed that oil, once the nation's leading import item, had dropped to third place behind the now first-place category of machinery and transport equipment and the new second-ranking category of manufactured goods.

The change reflects the sustained American economic expansion, which has pulled in more manufactured imports, as well as the decline in the United States dollar, which has made imports more costly in dollar terms. The decline in oil imports, meanwhile, resulted from successful conservation efforts, especially by American industry, and public resistance to higher prices.

35.6 Percent Increase in Year

According to the figures, from January to May, Americans bought $19.1 billion worth of machinery and transport equipment of all kinds including machine tools, electronic equipment including radios and televisions, automobiles, trucks, railroad equipment and ships, mostly from Europe and Japan. That was a 35.6 percent increase over the year-ago period.

In addition, the United States imported $18.2 billion worth of manufactured goods including iron and steel, nonferrous metals, alloys, plastics, instruments, medical equipment, bicycles and other items, again mostly from Japan and Europe. That was a 38.8 percent increase.

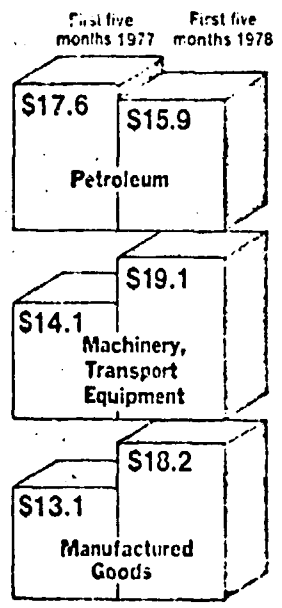
Altogether, the value of those two categories came to $37.3 billion, or 45.9 percent of all imports, more than double the $15.9 billion Americans paid for imported oil during the same period.

During the five months, the United States imported 1.2 billion barrels of oil worth $15.9 billion, down from 1.34 billion barrels worth $17.6 billion during the same five months the year before. In fact, oil imports have declined by 10 percent over the past year — the only import

Continued on Page D4, column 3

Oil Imports Fall, As Other Imports Rise

Billions of dollars



Source: Department of Commerce

The New York Times / July 5, 1978

Oil Drops to Third on U.S. Imports List

Continued From Page A1

category to do so. The President and spokesmen for the Administration have taken little public notice of the change in import patterns — instead following the official line of emphasizing the size of oil imports in order to push the bogged-down energy bill through Congress.

Even so, Administration officials indicated that new policy decisions based on a revised assessment of the trade figures were taking shape.

Offsetting Imports

One would be a modified strategy to reduce the trade deficit and to strengthen the dollar. It reportedly calls for holding the line on oil imports, reducing imports of machinery and manufactured goods and increasing exports to offset the cost of imports.

Second, the President, at the Bonn meeting, "will point to the fact that the energy ratio in our gross national product has gone down in industry and among consumers," a senior official said.

According to sources in the Administration, Mr. Carter will switch tactics then and tell the Europeans and Japanese that the flood of industrial goods from their countries, rather than oil, is causing the huge trade deficit in the United States, and thus the dollar weakness they deplore.

Leaders in West Germany, France, Britain and Japan in recent months have openly criticized the United States for the trade deficit and the dollar's decline, and have attributed them to excessive oil imports.

Officials here said that Mr. Carter, who has not taken issue with the criticism in an effort to persuade Congress to pass his energy bill, would urge the Europeans and Japanese to open more of their markets to American exports, focusing on hidden barriers to American exports. He was also said to be preparing to urge other leaders to stimulate their economies to absorb more of both their own products and the American exports.

But the President was further expected, as originally planned, to assure the other leaders that the United States would continue to hold down oil imports.

Senior economists within the Carter Administration cautioned that the trend to lower oil imports might be temporary, although several suggested that it would last for at least the rest of this year.

Political Effect Unclear

"It's intriguing to speculate about what's been going on recently with oil," said William Cox, the deputy chief economist at the Department of Commerce. "We will have to see what happens during the rest of the year."

A study group appointed by President Carter to find ways to improve the nation's export performance, which has been lackluster for two years, is expected to make its recommendations known within a few weeks.

Politically, the effect of the changing import patterns on the President's energy bill is unclear. Mr. Carter has proposed taxes to increase the price of oil and thus slow imports, and has threatened to impose import fees or quotas if Congress fails to approve those taxes.

But Congress is reluctant to pass any new taxes in this election year, particularly with the tax revolt, and the Senate has approved a measure forbidding the President to impose oil import fees.

The trade deficit rose from $8.2 billion during the January-to-May period of 1977 to $14.8 billion for the comparable time this year — a stunning 79 percent rise. Imports of industrial goods accounted for most of that.

Senior Government economists explained that the United States' expanding economy partly accounted for the increased inflow of goods. So did the competitive drive of foreigners — their productivity rates were better than American rates, and thus they kept their prices down. Slow economic growth in Europe and Japan also forced more of their goods into export markets.

Cheaper Dollar a Factor

But some of the import increase, ironically, came from the cheaper dollar. Classic economics says that a devalued dollar is supposed to slow imports because foreign goods cost more.

Instead, Americans have been importing as much or more than before and paying higher prices; some orders had already been placed. Finding less expensive suppliers takes time, and Americans, having grown accustomed to such foreign goods as Japanese cameras and West German cars, are continuing to buy them despite the higher prices.

Government economists contend that the import surge will not last, that eventually the higher prices will slow down the imports. But asked when, they replied with estimates ranging from a year to five years.

Compounding the trade imbalance has been a relatively poor performance in American exports. Exports of raw materials in the January-May period rose only 2 percent and chemicals only 5.3 percent.

But shipments of machinery and transport equipment, the biggest item in American exports, jumped 9 percent to $23.2 billion. Exports of manufactured goods were up 10 percent and shipments of agricultural products, another export staple, rose 16 percent.

"Major industrial country." (d) For purposes of this section, "major industrial country" means Canada, the European Economic Community, the individual member countries of such Community, Japan, and any other foreign country designated by the President for purposes of this subsection.

SEC. 127. RESERVATION OF ARTICLES FOR NATIONAL SECURITY OR OTHER REASONS.

19 USC 2137. (a) No proclamation shall be made pursuant to the provisions of this Act reducing or eliminating the duty or other import restriction on any article if the President determines that such reduction or elimination would threaten to impair the national security.

19 USC 2137. Post, p. 2015. Ante, p. 1987. (b) While there is in effect with respect to any article any action taken under section 203 of this Act, or section 232 or 351 of the Trade Expansion Act of 1962 (19 U.S.C. 1862 or 1981), the President shall reserve such article from negotiations under this title (and from any action under section 122(c)) contemplating reduction or elimination of—

(A) any duty on such article,

(B) any import restriction imposed under such section, or

(C) any other import restriction, the removal of which will be likely to undermine the effect of the import restrictions referred to in subparagraph (B).

In addition, the President shall also so reserve any other article which he determines to be appropriate, taking into consideration information and advice available pursuant to and with respect to the matters covered by sections 131, 132, and 133, where applicable.

Annual report to Congress. 19 USC 1863. 19 USC 1862. (c) The President shall submit to the Congress an annual report on section 232 of the Trade Expansion Act of 1962. Within 60 days after he takes any action under such section 232, the President shall report to the Congress the action taken and the reasons therefor.

19 USC 1862. (d) Section 232 of the Trade Expansion Act of 1962 is amended—

(1) by striking out "Director of the Office of Emergency Planning (hereinafter in this section referred to as the 'Director')" in the first sentence of subsection (b) and inserting in lieu thereof "Secretary of the Treasury (hereinafter referred to as the 'Secretary')";

(2) by striking out "advice from other appropriate departments and agencies" in the first sentence of subsection (b) and inserting in lieu thereof "advice from, and shall consult with, the Secretary of Defense, the Secretary of Commerce, and other appropriate officers of the United States";

Hearings. Report to President. (3) by striking out the last sentence of subsection (b) and inserting in lieu thereof the following: "The Secretary shall, if it is appropriate and after reasonable notice, hold public hearings or otherwise afford interested parties an opportunity to present information and advice relevant to such investigation. The Secretary shall report the findings of his investigation under this subsection with respect to the effect of the importation of such article in such quantities or under such circumstances upon the national security and, based on such findings, his recommendation for action or inaction under this section to the President within one year after receiving an application from an interested party or otherwise beginning an investigation under this subsection. If the Secretary finds that such article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall so advise the President and the President shall take such action, and for

Statement of David S. King, on Behalf of the American Netting Manufacturers Organization

Mr. Chairman and Members of the Subcommittee on Trade, this statement is submitted by David S. King, of the law firm of Williams & King, 1620 Eye Street, Suite 800, Washington, D.C. 20006, on behalf of the American Netting Manufacturers Organization (hereafter referred to as ANMO), the names and addresses of whose membership are attached to this statement. Also attached hereto is the topical outline required by the subcommittee rules.

ANMO favors the enactment of H.R. 10853, a bill providing for the exemption from tariff reductions negotiated in the current Multilateral Trade Negotiations (MTN) of those textile and apparel items whose international trade is largely governed by the Multifiber Arrangement (MFA) authorized by section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854).

The American Netting Manufacturers Organization is composed of some fifteen companies, who manufacture approximately 90 percent of the fish netting produced from man-made fiber within the United States.

On January 1, 1974, the United States accepted the Arrangement Regarding International Trade in Textiles (ARITT), pursuant to the provisions of the aforesaid MFA, which established the framework within which bilateral agreements could be concluded between members of the arrangement for the orderly expansion of their textile markets without creating "market disruption", which ARITT characterizes as causing "serious damage to domestic producers."

Within that framework the United States has entered into bilateral textile agreements with Japan, Korea, China (T), Hong Kong and other countries (referred to as textile agreements), limiting the exportation from these countries to the United States of certain enumerated categories of textiles. Typically, fish netting has been placed, by those agreements, within a larger category of textiles. The latter is made subject to certain export limitations, but the exporting country is left free to select whichever item or items within that category it chooses to export to the United States, subject only to the overall category limitation. For this reason, the bilateral agreements have been of limited value to the domestic fish netting industry. The cost-weight ratio of fish netting produces a greater per-pound return on its importations than that of most other articles falling within the general category. Japan, Korea, and China (T) have already taken advantage of this fact by exporting to the United States fish netting in disproportionately large quantities, and apparently have made no secret of the fact that they intend to expand their U.S. markets in fish netting as far as the bilateral textile agreements will allow.

On February 3, 1977, an amendment to the basic Textile Agreement with the Republic of China was signed, in which, for the first time, a sub-level for fish netting (TSUSA No 355.45.60) was created, and an import limitation imposed thereon of 561,600 square yards equivalent. During the month of September 1977, a comparable amendment to the basic Korean Textile Agreement was also agreed to by the U.S. and Korea. This amendment also created a sub-level for fish netting (TSUS 355.45.60) and an annual import limitation thereon.

An attempt was made by ANMO in November of 1977 to secure an amendment to the U.S.-Japanese Textile Agreement creating a sub-level for netting, but, because of a postponement of the negotiations with the Japanese, the matter was deferred, with no action taken. Although ANMO's benefits from ARITT have been modest, its position is that it would much prefer preserving its entitlement to relief under the provisions of the law allowing this country to specifically negotiate with our trading partners pertaining to textile protection, pursuant to section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), than to place its fate in the hands of the multilateral negotiators in Geneva.

The reason for this conclusion is that the domestic fish netting industry has some serious problems (as will be more fully explained) which are most unique among the various segments of U.S. industry. The ARITT negotiators are specialists in textiles, and are more likely to be able, not only to understand the problems of the fish netting industry, but to take affirmative action to resolve them. We feel it only fair and proper to place our fate in the hands of those who are most familiar with our problems. The fish netting industry is not a large one and, if forced to enter the tariff-reduction sweepstakes in Geneva, would risk being overwhelmed by its much-larger competitors.

ANMO also feels that inasmuch as the duty on textiles has already been made the subject of considerable negotiation, pursuant to the procedures established by ARITT, there is less likelihood that further cuts will be made in textile duties if the latter remain the responsibility of ARITT, than if textile negotiations are transferred to the GATT multilateral negotiators.

MARKET DISRUPTION

Annex A of ARITT defines and explains "market disruption". It is based on the "existence of serious damage to domestic producers or actual threat thereof". "Damage" is caused by "a sharp and substantial increase or imminent increase of imports" plus the offering of these imports at prices "which are substantially below those prevailing for similar goods of comparable quality." The existence of damage is determined by certain enumerated factors, including turnover, market share, profits, employment, volume of disruptive imports, etc.

ANMO alleges, and the evidence supports the allegation, that imports of fish netting have, indeed, sharply increased and have been offered at prices substantially below those prevailing for similar domestically produced goods, and that these imports have seriously penetrated the domestic market, have caused market disruptions, have seriously eroded profits, have caused substantial unemployment within the industry, and have threatened the very continuity of the domestic fish netting industry.

In proving market penetration, we rely, in part, on figures compiled by the Department of Commerce showing the extent of foreign importations of fish netting for consumption (Exhibit B), for which it has a record (hereinafter referred to as "reported importations"). We also rely on reasonable estimates of the extent of a very substantial amount of netting purchased by U.S. fishing vessels in foreign ports (referred to as "offshore purchases") for which no duty has been paid and no official record kept. The "substantial imports" referred to in the definition of "market disruption" in Annex A of ARITT should include these "offshore purchases" as well as the "reported importations", for the reason that the former are in every way as disruptive as the latter. In fact, they are more disruptive, for the reason that they arrive in the country duty free.

The figures representing the total reported importations, without more, will demonstrate, we believe, a sufficient penetration of the domestic market to confirm the presence of "market disruption". When these figures are added to those representing "offshore purchases", the confirmation of "market disruption" is, in our opinion, virtually irrefutable.

Attached hereto are Exhibit A, showing the amount of annual domestic production of fish netting; Exhibit B, showing the amount of annual imports for consumption of fish netting; Exhibit C, showing the amout of annual offshore purchases of fish netting; Exhibit D, showing the amount of annual domestic fishnet consumption; and Exhibit E, showing the percent of penetration into the domestic fish netting market of total importations (both excluding and including offshore purchases).

OFFSHORE PURCHASES

Not wishing to overload this statement with burdensome details, suffice it to say that the fish netting industry has a particular problem created by the fact that a large amount of imported netting is sold to domestic fishermen offshore, and more specifically, in the Panama Canal Zone. This netting pays no import duty whatsoever, upon its re-entry into the United States, notwithstanding the fact that 19 U.S.C. 1466 is specific that it is subject to a 50 percent duty. It is not the purpose of this statement to argue the illegality of this operation, but merely to call attention to the fact that approximately 32 percent of all the netting consumed in the United States was purchased as a result of this device, and on which no duty was paid. Moreover, no record of these imported purchases appears in the Department of Commerce import figures, upon which all negotiating parties interested in fish netting generally rely.

Thus, the import figures on which the multilateral negotiators generally rely fail to take into consideration these offshore purchases. This fact gives weight to our argument that the fish netting industry would prefer placing its fate in the hands of the ARITT negotiators, who are closer to the problem, and who understand our specific needs.

ANALYSIS OF IMPORT STATISTICS

Exhibit A shows the general trend of the U.S. production of fish netting since 1971. The figures are based on the results of a questionnaire sent to members of ANMO, who are responsible for in excess of 85 percent of the production in the United States. The production figures, therefore, were augmented by 15 percent to include the production of non-ANMO members.[1]

[1] Prior to 1977 ANMO represented 85 percent of the industry. In 1977 ANMO's membership increased, so that the 1977 production figures, based on an inter-industry survey, were only augmented by 10 percent.

The figures show that in 1971 domestic production was 2,484,347 lbs. and that it reached its apogee in 1977 at 4,726,574. Exhibits A and B enable us to contrast the extent of domestic production with that of foreign imports. In these exhibits, the figures are given for the three heaviest far-Eastern exporters to the United States (Japan, Korea, and China (T)), as well as the total import figures for all countries, of which there are twenty-four exporting to the United States.

It will be noted that the reported total imports for 1971 were 941,518 lbs., which represents a 27.5 percent penetration of the domestic market, shown in Exhibit E. Exhibit B shows the increase and decrease of foreign imports between 1971 and 1977, which roughly parallel those of the domestic production. The decline in imports in 1975 was due to the same factors which caused the 1975 domestic production decline, including the oil shortage, excessive inventories, and the worldwide recession. The exhibits clearly show that in 1977, our foreign competitors had recovered from their temporary slump even faster than had the domestic producers, and that the percentage of penetration of the domestic market by foreign imports was again on the rise.

Thus, the figures show a trend of "increased penetration", and completely support the allegation that the U.S. market is suffering "market disruption" based on the "existence of serious damage to the domestic producers", which damage is caused by "sharp and substantial increase or imminent increase of imports."

It would seem clear that an industry which has suffered a 48 percent penetration of its domestic market, is in no position to endure any further penetration, at the risk of suffering irremediable consequences.

PRICES

On February 29 and March 1, 1972, the United States Tariff Commission held a hearing on the question whether importations of Japanese fish netting, which had increased from 7.5 percent of the U.S. market in 1964, to 29 percent in 1971, and which had been found to be sold at less than fair value within the Antidumping Act, were likely to inflict injury on a domestic industry. The Commission found, and reported, among other things, that the prices of Japanese man-made fiber fish netting were substantially lower than the corresponding prices of domestic man-made fiber fish netting. That condition has persisted until the present time, and has made it impossible for the domestic industry to make such price adjustments as were necessary to keep pace with escalating costs.

The following is a current price list of several typical popular nettings, showing the vast discrepancy between domestic and Japanese import prices:

COMPARATIVE PRICES OF NETTING, DELIVERED TO U.S. DEALER, DUTY AND OTHER COSTS DULY PAID [1]

[In dollars per pound]

Type of netting	Specifications [2]	Country of origin			
		Taiwan	Korea	Japan	U.S.
Multifilament gill	210/2 50 md 4 in str	2.60		3.74	9.50
Do	210/3 40 md 3½ in str	2.75		3.19	7.20
Do	210/6 25 md 4½ in str		2.00	3.01	4.89
Do	210/9 30 md 5 in str		1.80	2.64	4.59
Do	69 3 in str			5.36	7.47
Do	104 3 in str			4.09	6.80
Do	139 3 in str			3.34	4.95
Double-knot	208 54½ md 1½ in square mesh			3.48	4.60
Do	208 13½ md 4 in square mesh			3.48	4.60
Do	139 23½ md 3½ in square mesh			3.59	4.85
Do	277 23½ md 3½ in square mesh			3.48	4.60
Shrimp netting	210/15 200 md 1 in str	1.72		2.55	3.99
Do	210/24 200 md 1 in str	1.68		2.55	3.25
Tuna webbing	210/72 360 md 1½ in str	1.72		2.75	3.75
Nylon salmon seine	18 2 in str. and up, dyed and treated		2.50	2.80	3.20
Nylon shrimp	18 2 in str. and up		2.58	2.88	2.90

[1] As of January 1978.
[2] Md equals mesher deep; str. equals stretch.

In every case shown above, the imported product underprices the domestic product.

However, in some types of fish netting, such as multifilament double-knot gill netting, used in the Northwest salmon fishery, the Japanese imports have captured virtually 100 percent of the market; their dominance allows the importer to charge premium prices because there is little U.S. competition. The last major U.S. manufacturer of this type of netting discontinued its production in 1977.

The major reason that Japanese and other Far Eastern manufacturers can underprice the U.S. producers is lower labor and raw-material costs. Netting manufacturing is labor-intensive. In addition, because many Far Eastern manufacturers are vertically integrated, their raw material costs are much lower than those of U.S. producers. The latter depend to a great extent on large chemical companies for their raw material—the man-made year that is made into netting. If it were not for the fact that the U.S. tire industry requires such a large quantity of No. 840 denier thread in the production of tires, the netting industry would probably have to pay much more for that size of thread, assuming that it was available. As it is, the netting manufacturers in effect "ride the coattails" of the tire industry in procuring this raw material at a reasonable price.

In most cases where the domestic producer lowered his prices sufficiently to compete with foreign importers (and this would be true in every case involving high labor and other production costs), he did so with almost disastrous consequences to his business. These consequences included: reducing profit margins to the vanishing point, depletion of capital reserves, inadequate repair and modernization of equipment, and, most importantly, inability to upwardly adjust prices to meet inflationary cost-escalations. One typical company reported, for example, that between 1972 and 1975, its labor and nylon costs (representing 80 percent of the total cost) increased almost 100 percent, but that because of foreign competition, its own price could only be increased 30 percent.

PRESENT UTILIZATION OF PLANT CAPACITY AND ABILITY TO SATISFY ORDERS

It has been argued by the fish netting industry's foreign competitors: 1) that the U.S. netting industry does not have the capacity to handle the volume of netting orders which the fishing industry is prepared to place; and 2) that the U.S. fish netting industry is not equipped to meet all the netting specifications which the fishing industry requires.

The U.S. netting industry rejects both of these arguments. Every one of the members of ANMO confirms that it is operating currently at less than fifty percent capacity, and that its operation would be more efficient if it could obtain more orders. Because of the nature of the heavy looms required to manufacture fish nets, the unit cost per net would be reduced if the looms could be operated more hours per day. By adding only the barest minimum of equipment, the U.S. industry could very quickly double production. With appropriate lead time, it could also realize still further increases in production capacity.

With regard to meeting the various netting specifications submitted by the fishing industry, it is true that there are some that the present U.S. netting industry is not prepared to handle. The monofilament gill netting, for example, seems to have become a virtual Japanese monopoly. There are other specialty items in the netting field that the U.S. industry does not now produce. Fishermen are rugged individualists, and use great imagination in conceptualizing their netting specifications. However, the U.S. netting industry takes the position that there is no specification, no matter how fanciful, which they are not prepared to meet, if given a reasonable lead time, and a reasonable assurance of adequate price and volume production. The netting which they now produce is adequate to meet all reasonable domestic fishing needs. If it is true that they have abandoned one or more segments of the present domestic netting market to the Japanese, it is certainly not from lack of desire or ability to supply those segments, but strictly from the results of price cutting. They would be only too glad, for example, to resume monofilament crystal gill netting production, if they were not requried to compete against a Japanese product which, because of Japanese vertical integration, enables Japanese producers to undersell their product at half, or less, the U.S. price.

EMPLOYMENT

At the hearings on the multilateral trade negotiations on July 29, 1975, Mr. H. D. Whitlow, representing ANMO, testified that historically the industry employed some 10,000 persons. As of the date of his testimony, however, the employment had fallen to a mere 2,000.

Out of the ten firms answering questionnaires, all reported reductions in employment since 1971, and particularly during 1975. The latter witnessed a reduction from the previous year's employment figure by 28 percent. There is no way of proving, of course, that these reductions were entirely due to the effects of foreign imports. However, the fact remains that over 225 fish netting workers were discharged in 1975, and this excludes those who have been absorbed into companion industries. The impact of this layoff is more adverse than would be considered normal, because of the fact that all of the fish netting mills are located in small towns, having few alternative employment opportunities for their unemployed to fall back on, as well as the fact that the skills of most of the fish netting employees are specialized, with little or no demand for them outside the fish netting industry. This is particularly true where so many of the discharged employees are over forty and find it difficult to readjust. All in all, the foreign competition has most assuredly aggravated the unemployment situation, and would do so still further if allowed to expand. A collapse of the fishnet industry, which is not an impossibility, would precipitate a very unfortunate unemployment situation, whose ripple effect would adversely affect tens of thousands of people.

GENERAL NEED TO PRESERVE FISH NETTING INDUSTRY

The fish netting industry is not large. The annual dollar volume of sales of fish netting within the United States from domestic and foreign sources would approximate $18 million. About half of this merchandise is from foreign sources, and the other half, worth a little over $9 million per year, is from U.S. sources.

It has been suggested by some that in view of these bleak statistics, it might be better to let the U.S. industry fold up its tents, and slip silently away, leaving the field unchallenged to foreign competition.

In considering the advisability of this melancholy (and in our view, totally unacceptable) alternative, we call attention to the following facts:

(1) Congress has expressed its intent to protect the fish netting industry from injurious foreign imports. In 1971, it specifically exempted fish netting and nets from the duty-free treatment accorded other vessel equipment produced abroad for fishing vessels. 19 U.S.C. 1466(c).

(2) Without nets, U.S. fishermen cannot fish. If they have to rely on foreign sources for nets, an important food resource is potentially in jeopardy in time of war. The fish netting industry is an old, stable, and reliable industry which can be counted on, through war and peace, through prosperity and depression, to supply the needs of our fisheries, which represent a multi-billion dollar industry.

(3) There are some fifteen fish netting producers in the U.S.A. This is sufficient to ensure healthy competition, and to keep prices moderate. If the U.S. industry were to disappear, our foreign competitors, and particularly the Japanese, would likely move in, and would be free to peg their prices at whatever level they chose. In Canada, where once there flourished a prosperous fish netting industry, but devoid of tariff protection, there now exists no domestic industry whatsoever. The Japanese competition destroyed it. As a result, netting prices in Canada are controlled by the Japanese, under almost monopoly conditions, rather than subject to the restraints imposed by a competitive market.

(4) Closely allied with the production of fish netting is the production of camouflage netting for national defense. The latter is presently supplied by domestic fish netting producers. Should the fish netting business become crippled, there is a question whether sufficient productive capacity would remain to take care of our camouflage needs. Thus we would have to rely on foreign imports to supply us with our necessary war materiel.

(5) Though the fish netting industry is not large, it is table, and, as pointed out above, supports some 1,800 workers. Considering their families, and other industries dependent upon them, we can safely say that a minimum of ten thousand persons would be adversely affected by the disappearance of the fish netting industry. Moreover, the industry not only supplies good jobs, but strengthens our balance of payments situation, leaving us in a better position to purchase other commodities abroad which we cannot produce at home.

CONCLUSION

For the above reasons, ANMO favors the enactment of H.R. 10853.

EXHIBIT A

	(In Pounds)
Domestic production of fishnetting:	
1971	2,484,347
1972	3,342,044
1973	3,337,635
1974	4,176.576

Domestic production of fishnetting: *(In Pounds)*

1975	2,472,764
1976	3,266,611
1977	4,726,574

Production figures furnished by ANMO members as a result of industry survey were augmented by 15 percent to adjust for the production of netting by non-ANMO members who did not participate in the survey.

EXHIBIT B.—INDIVIDUAL NETTING IMPORTS FOR CONSUMPTION FROM JAPAN, KOREA, CHINA (TAIWAN) AND TOTAL FROM ALL COUNTRIES—24 IN NUMBER—EXPORTING NETTING INTO THE UNITED STATES AS REPORTED BY THE U.S. DEPARTMENT OF COMMERCE

[In pounds]

Country	1971	1972	1973	1974	1975	1976	1977
Japan	801,357	644,862	936,604	1,022,724	450,862	747,678	955,061
Korea	93,340	90,417	28,479	123,401	77,968	153,999	235,431
China (T)	11,927	34,578	66,003	91,303	45,697	95,301	115,079
Other	34,804	93,058	105,137	138,592	133,957	155,109	147,615
Total	941,518	862,915	1,163,223	1,376,020	708,484	1,152,087	1,453,186

EXHI[illegible] —OFFSHORE PURCHASES, INDIVIDUALLY INDICATED AND COMBINED WITH ALL OTHER IMPORTED NETTING

[In pounds]

	1971	1972	1973	1974	1975	1976	1977
Offshore purchases of all foreign netting	1,610,157	1,976,331	2,129,376	2,609,720	1,495,187	2,076,506	2,904,387
Total imports of all netting of foreign origin including all offshore purchases	2,551,675	2,839,246	3,292,599	3,985,740	2,203,671	3,228,593	4,357,573

EXHIBIT D.—DOMESTIC FISH NETTING CONSUMPTION

[In pounds]

	1971	1972	1973	1974	1975	1976	1977
Total domestic production plus recorded imports	3,425,865	4,204,959	4,800,858	5,552,596	3,181,248	4,418,098	6,179,760
Total domestic production plus recorded imports plus total offshore purchases	5,036,022	6,181,290	6,930,234	8,162,316	4,676,435	6,495,204	9,084,147

These figures are calculated on the basis of figures appearing in Exhibits A, B, and C.

EXHIBIT E.—PERCENTAGE OF PENETRATION OF DOMESTIC MARKET BY JAPANESE AND TOTAL IMPORTS, EXCLUDING AND INCLUDING OFFSHORE PURCHASES

[In percent]

	1971	1972	1973	1974	1975	1976	1977
Percent of domestic market, excluding offshore purchases preempted by all foreign imports, excluding offshore purchases	27.5	20.5	24.2	24.8	22.3	26.1	23.5
Percent of domestic market, including offshore purchases preempted by total foreign imports, including offshore purchases	50.7	45.9	47.5	48.8	47.1	49.7	48.0

In view of the fact that netting manufacturers seldom inventory their product, for purposes of Tables A, B, C, D, and E, "production" and "shipments" are considered to be approximately equal, and, when added to "imports" would approximate "consumption", or "market". Any slight error which this would introduce, in any single year, would correct itself over a long period of time.

ANMO members

Bayside Net and Twine Co., Inc., Brownsville, Tex.; The Brownell Net Co., Modus, Conn.; First Washington Net Factory, Inc., Blaine, Wash.; FNT Industries, Menominee, Mich.; Hope Fish Netting Mills, Hope, R.I.; Blue Mountain Corp., Blue Mountain, Ala.; Koring Brothers, Inc., Long Beach, Calif.; Nylon Net Co., Memphis, Tenn.; Harbor Net and Twine Co., Inc.. Hoquiam, Wash.; Mid Lakes Manufacturing Co., Memphis, Tenn.

ANMO associate members

Northwest Net & Twines, Inc., Everson, Wash.; Fablok Mills, Inc., Murray Hill, N.J.; A. B. Carter Co., West Point, Ga.; Farrell-Calhoun, Inc., Memphis, Tenn.; Flexabar Corp., Northvale, N.J. Carron Net Co., Inc., Two Rivers, Wis.; Monsanto Textiles Co., Charlotte, N.C.; Shuford Mills, Inc., Hickory, N.C.; Hagin Frith & Sons Co., Willow Grove, Pa.

TOPICAL OUTLINE OF STATEMENT SUBMITTED BY THE AMERICAN NETTING MANUFACTURERS ORGANIZATION

1. The American Netting Manufacturers Organization represents the overwhelming majority of all the domestic producers of fish netting made of man-made fiber.
2. ANMO advocates the enactment of H.R. 10853.
3. ANMO feels that because of the fact that it has unique import problems it would do better to have those problems solved by negotiators who are not only specialists in textiles, but by negotiators who are committed to working for solutions to textile problems which are tailored to the needs of textiles, rather than in the context of the Multilateral Trade Negotiations. ANMO also feels that inasmuch as the duty on textiles has already been made the subject of considerable negotiation, pursuant to the procedures established by ARITT, there is less likelihood that further cuts will be made in textile duties if the latter remains the responsibility of ARITT, than if textile negotiations were transferred to the GATT multilateral negotiators.
4. The U.S. fish netting industry is particularly vulnerable to foreign competition, expecially from Japan and Korea.
5. Department of Commerce import figures and industrywide production figures show that for the year 1977, all foreign fish netting imports had captured some 48 percent of the domestic market.
6. Industrywide figures show that because of foreign imports, the domestic industry has not been able to increase its prices sufficiently to keep pace with inflationary cost-escalations, as a result of which its profit margin has progressively diminished over the past ten years.
7. Industrywide figures show that employment has gone down alarmingly. Formerly, the industry employed in the neighborhood of 10,000 men. Today, the figure is less than 2,000.

STATEMENT OF HON. FRANK ANNUNZIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, thank you for this opportunity to testify in support of H.R. 10853, a bill I have cosponsored under the number H.R. 12245, to amend the Trade Act of 1974.

This bill proposes to correct what was surely an oversight on the part of the Congress during the action for the approval of the Trade Act of 1974, the current fundamental law of our foreign trade policy.

In correcting this oversight, the proposed legislation sets up a statutory safeguard to prevent one of the major United States manufacturing industries, the textile industry, from being subject to action that would make possible further injury to the industry through reduction or elimination of existing measures which still protect this industry from the onslaught of imports.

The Trade Act of 1974 wisely contains a safeguard provision which requires the President to reserve from international negotiations, designed to lower or eliminate tariff duties or other import restrictions, any articles in respect to which there is in effect a measure, implemented under the appropriate statutes, the purpose of which is to provide temporary remedy to an American industy which has been threatened with injury or in fact injured by imports of similar articles from abroad. Similarly, such a mandatory reservation from negotiations applies also to any article the importation of which has been determined to be taking place in such quantities or under such circumstances as to threaten to impair the national security of the United States.

The same safeguard provision also prohibits the President from including the articles subject to such remedial or preventive measures even in any action he is authorized by law to take in order to correct a fundamental international payments problem and which can be accomplished by an increase in imports. Needless to say, our international payments situation is not so favorable as to make such a presidential action likely in the near future.

On the other hand, multilateral negotiations on trade concessions are curently in progress among all the major trading nations of the world. The existing law has effectively excluded from these negotiations—and from any possible reductions in tariff duties or other import restrictions—all those articles that the present law requires to be so reserved. Thus, no concessions on the part of the United States are possible on the imports of petroleum and its products, which are at present subject to import-restricting measures under the national security safeguard provisions.

Likewise subject to the mandatory reservation from negotiations are articles subject to import-relief action authorized by the trade legislation. Such import relief can take one of several forms: imposition or increase of customs duty rates, imposition of a tariff quota or an absolute quota, or negotiation of an orderly marketing agreement limiting the quantity of the articles in question that may be imported during any year. In recent import-relief cases, the most frequently used relief measure has been the orderly marketing agreement. Such agreements have been negotiated with Japan for stainless and alloy tool steel and TV receivers, and with South Korea and Taiwan for footwear. All these articles have been reserved by law from the current trade negotiations.

There are, however, also in effect similar marketing agreements which are not by law subject to the reservation from trade negotiations. These are the agreements negotiated under section 204 of the Agricultural Act of 1956. This statute authorizes the President, whenever he determines such action to be appropriate, to negotiate with foreign countries agreements limiting the import of any agricultural commodity or any product manufactured therefrom or, specifically, any textiles or textile products. In practice, this authority has been used in respect to textile products, and the United States has at present in force such agreements with 18 foreign countries, all major competitive sources of U.S. textile product imports.

In contrast to the procedure under the import-relief authority of the trade legislation, there is no statutory requirement that an actual, or threatened injury to the domestic textile industry be shown before the recourse to a textile agreement can be taken, and such action can be taken merely if the President determines that it is appropriate. Yet, the actual condition of the American textile industry and the obvious enormous increase in the pressure of textile imports over the past years leave no doubt that these agreements are appropriate precisely because they try to stem the flood of textile imports and prevent further injury to our textile industry.

Consequently, it makes no sense in practice to omit the agreements concluded under the Agricultural Act from the mandatory reservation from negotiations applicable to articles in respect to which similar agreements have been concluded, merely because in the latter case the law specifically requires that actual or threatened injury to a domestic industry must first be demonstrated. It is precisely this discrepancy that the bill H.R. 10853 is trying to correct, and to apply the reservation from negotiations to both types of agreements because both are in practice doing the same thing—protecting domestic industry.

It might also be useful to consider the fact that the Trade Act of 1974 itself in another but related provision does not make any difference in the treatment of agreements concluded under one or the other statutory authority. In provisions authorizing the eligibility of certain articles for duty-free treatment under the generalized system of preferences, such eligibility is denied by law to import-sensitive articles. Among these, textile and apparel articles which are subject to textile agreements are specifically mentioned as being ineligible for such duty-free treatment in addition to articles subject to any remedial action implemented under the import-relief or national security provisions of the trade legislation, including orderly marketing agreements.

It is, indeed, anomalous and from a practical viewpoint totally unjustified that articles subject to textile agreements and those subject to other orderly marketing agreements should be treated differently in respect to their reservation from negotiations of further concessions. I see no reason for treating them differently, and there is every reason for treating them alike, as H.R. 10853 proposes to do.

Mr. Chairman, I urge the support of the Subcommittee for this legislation.

Thank you.

STATEMENT OF CONSUMERS FOR WORLD TRADE, WASHINGTON D.C.

Mr. Chairman and Members of the Subcommittee, Consumers for World Trade (CWT) is a newly-created organization formed by American economists, trade experts, consumer specialists and others to identify and protect the cosumer interest in expanded world trade. This statement is presented to oppose H.R. 10853 and similar bills pending before your subcommittee.

As stated in your announcement of hearings, H.R. 10853 et al., propose to exempt textile and apparel items from tariff cuts in the Tokyo Round of Multilateral Trade Negotiations. This would be accomplished by excluding from tariff-cutting authority items for which action has been taken under Section 204 of the Agricultural Act of 1956. Such exclusion is already provided in the Trade Act of 1974 for articles which have been subject to import restrictions under the escape clause or national security provisions.

Consumers for World Trade strongly opposes H.R. 10853 for the following reasons:

1. The textile and apparel industry is the most highly protected manufacturing industry in the United States.

Tariffs on textile and apparel items currently average about 25 percent on an ad valorem basis, with some duties ranging over 100 percent. The cost of these high tariffs is borne most heavily by low income consumers. As estimated by Norman S. Fieleke in "The Cost of Tariffs to Consumers," published in the New England Economic Review in 1971, tariffs absorb a 10 percent greater share of the budget outlays of low-income consumers than of middle-income consumers, and a 20 percent greater share of the budget of low-income consumers than of high income consumers. This is because internationally-traded items weigh more heavily on the consumption patterns of lower income consumers, and because tariff rates appear to be higher on lower quality goods which are purchased more heavily by lower income groups.

In addition to a high tariff wall, the textile and apparel industry enjoys the protection of a "voluntary" restraint agreement among major supplying countries. The Multifiber Arrangement, as the restraint agreement is called, was concluded on cotton, wool and manmade products without any economic finding of injury or market disruption to our domestic industry, but again with a tremendous cost to the American consumer.

Because of the nature of these "voluntary" restraint agreements, foreign exporters are encouraged to ship higher priced items under quota to maximize their returns. The lower priced goods, often not produced in sufficient quanitities domestically, are no longer readily available to low income consumers. This is particularly true of lower-priced imports of shirts and men's and boys' apparel. Imports of less expensive children's clothing have also been squeezed out of the market because of other problems inherent in the "voluntary" agreement.

The difficulty encountered in estimating the total cost to the U.S. consumer of this ironclad protection afforded the domestic textile industry is enormous. However, the most conservative estimates range in the billions of dollars.

2. All U.S. consumers have a stake in the successful conclusion of the Multilateral Trade Negotiations in progress to reduce trade barriers around the world. Liberalizing trade restrictions means less inflationary pressure on our economy, lower prices for consumers, and a wider variety of goods in the marketplace.

Since these negotiations are conducted on the basis of reciprocity, exempting textile and apparel products from tariff cutting authority would limit the ability of our negotiators to reduce foreign trade barriers and gain better access for U.S. exports.

Further, if textile and apparel products were excluded from the negotiations, what is to prevent other industries less insulated from imports from seeking the same kind of "special treatment"?

Consumers for World Trade respectfully suggests that, instead of exempting textile and apparel products from the MTN, Congress insist that our negotiators offer the full 40 percent formula reduction on these items, so that they can exercise maximum leverage to obtain favorable terms for our exports.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 18, 1978.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade,
Washington, D.C.

DEAR MR. CHAIRMAN: In light of your Subcommittee's recent hearing on H.R. 10853, providing for import relief authority for textile products under Sec. 204 of the Agricultural Act of 1956, I am enclosing some data on the textile industry in Puerto Rico.

I hope this information is helpful to you and the Subcommittee in assessing the impact of textile imports on the domestic textile industry.

With best wishes, I remain,

Cordially,

BALTASAR CORRADA,
Member of Congress.

Enclosure.

TEXTILE INDUSTRY IN PUERTO RICO

Puerto Rican Industry: Apparel and Textile Status and Outlook

The apparel and textile industry in Puerto Rico provides the largest number of job opportunities within the manufacturing sector because it is labor intensive and has the highest number of operating plants.

In 1976, there were 453 plants in the apparel and textiles industry employing 41,331 persons. This employment represented around 28.5 percent of all manufacturing employment. This is almost 100 firms and 7,000 jobs less than the numbers for 1973.

The above is further evidenced by shipments of apparel and textiles to the U.S., which in 1976 totalled $314.2 million, representing almost 11.0 percent of all shipments to the United States by major Puerto Rican industries. Only two years before, These shipments were 20 percent of all Puerto Rico shipments to the United States.

Rapidly rising wages have made Puerto Rico less attractive and several low-wage foreign countries more competitive in the apparel and textile market in the United States. This has been one of the primary reasons why 163 (32 percent) out of the 511 plants which ceased operations between fiscal year 1972 and fiscal year 1977 were from the apparel and textile sectors.

The apparel industry in Puerto Rico has developed into a sizable complex of plants of which 407 had established in the Island up to 1977 through the efforts of the Economic Development Administration (Formento).

Approximately 62 percent of all manufacturing plants in the apparel and related products industry in Puerto Rico are subsidiaries of United States firms.

Among the many apparel firms established in Puerto Rico are such well known firms as Kayser-Roth, Maidenform, Rapid American, Exquisite Form, Hanes, Character, Bestform, Jantzen, Lillyette, Cluett Peabody, Warnaco, and Levi Strauss.

Apparel is one of the principal bases for Puerto Rico's industrial development because of its labor intensive character.

However, rising local wages and foreign competition in the U.S. market from low wage areas has caused 144 establishments to close from 1968 to August 1977, with a net reduction in total apparel employment of 2.5 percent, after taking into account new plants starting up.

In 1976 employment in apparel alone represented 3.2 percent of total employment promoted by the Economic Development Administration and 25.6 percent of total manufacturing employment.

In 1976 the textile mill products industry included 53 establishments and employed 4,277 workers. This represents a loss of 28 establishments and 3,317 jobs in a three year period (1973-76).

The value of total textile exports to foreign countries and to the United States decreased from $194.1 million in 1973 to $18.0 million in 1976 an extraordinary reduction in the 3 year period. Export to foreign countries decreased from $11.5 million in 1973 to $4.2 million in 1976, while shipments to the United States decreased from $182.6 million to $11.6 million.

Puerto Rican imports of textile products increased by 19.3 percent from fiscal year 1968 to fiscal year 1976, or from $174.5 million to $208.2 million.

Earnings in the textile industry exceed the minimum standards. In July 1976, the average wage rate was $2.29 and this is expected to increase in the future.

ESTABLISHMENTS, EMPLOYMENT, AND PRODUCTION WORKERS IN THE APPAREL INDUSTRY: 1968-1976

October of each year	Number of establishments	Total employment	Production workers
1976	400	37,054	34,743
1975	405	36,075	33,834
1974	435	38,027	35,534
1973	465	40,721	38,442
1972	466	39,200	37,130
1971	437	36,218	34,315
1970	454	36,819	34,822
1969	478	40,513	38,412
1968	461	40,165	38,168

Source: Puerto Rico Department of Labor: Census of Manufacturing Industries; 1976.

ESTABLISHMENTS, EMPLOYMENT, AND PRODUCTION WORKERS IN THE TEXTILES MILLS PRODUCTS INDUSTRY: 1968-1976

October of each year	Number of establishments	Total employment	Production workers
1976	53	4,277	3,973
1975	54	4,898	4,556
1974	76	7,165	6,589
1973	81	7,594	7,042
1972	77	7,693	7,133
1971	79	6,752	6,194
1970	80	8,904	8,269
1969	85	8,675	8,044
1968	78	8,198	7,583

Source: Puerto Rico Department of Labor: Census of Manufacturing Industries.

Statement of Richard B. Lavine and Karen G. Meister on Behalf of the Federation of Apparel Manufacturers

We are submitting this statement on behalf of the Federation of Apparel Manufacturers (FAM). FAM is a federation of the following nine associations collectively representing some 1400 manufacturers of women's and children's apparel: New York Skirt & Sportswear Association, Inc.; Apparel Manufacturers Association, Inc.; Affiliated Dress Manufacturers, Inc.; National Association of Blouse Manufacturers, Inc.; New York Coat & Suit Association; New York Raincoat Manufacturers' Association, Inc.; United Infant's & Children's Wear Association, Inc.; The Belt Association, Inc.; and Infants' & Children's Coat Association, Inc. FAM was formed in early 1977 to represent the women's and children's apparel industry. FAM has a vital ongoing interest in the trade policies of the United States. FAM's executive director is a member of the Apparel Industry Sector Advisory Committee for the Multinational Trade Negotiations.

FAM strongly urges the adoption of H.R. 10853, a bill to amend § 127(b) of the Trade Act of 1974 which would effectively exclude textile and apparel products from the tariff cutting negotiations. Legislative history indicates that such an amendment is clearly consistent with the original intent of § 127(b):[1]

"Under Section 127(b) of the Committee bill * * * any article which is subject to an import relief * * * would be excluded from any trade negotiations * * *."

It is not disputed that the apparel industry is an import sensitive market. This is evidenced by The Multifiber Arrangement, the eighteen bilateral textile agreements, eleven consultative agreements, and the Trade Act's exclusion of textiles from being granted GSP (Generalized System of Tariff Preferences) treatment. To permit tariff reduction on apparel items would negate the very purposes of these efforts to protect the industry.

Tariffs for apparel items help to offset the competitive disadvantage suffered by domestic firms resulting from the tremendous wage differential between the United States and foreign countries in this area of production. The following are examples of 1975 estimates of hourly wages with which U.S. firms are competing: Mexico—56

[1] 1974 U.S. Code Cong & Adm News 7245.

cents; Columbia—46 cents; Costa Rica—41 cents; Honduras—39 cents; Jamaica—33 cents; Trinidad and Tobago—58 cents; Haiti—18 cents; Philippines—15 cents. Notwithstanding United States present tariffs, these wage differentials encourage increased imports of women's and children's apparel.

Because of its labor intensive character in the United States, women's and children's outerwear is not in a position to look for expansion through export to foreign markets. In the United States, payroll alone equals approximately thirty percent of the value of shipments.

CURRENT TARIFFS HAVE NOT DETERRED IMPORTS

The current United States tariffs on apparel items have been insufficient to deter imports into the United States. The table below demonstrates the extent of import penetration into the domestic women's and children's clothes market.

	Change between 1961 and 1976		Import penetration as percent of domestic production	
	Imports—(percent)	Domestic production—(percent)	1961—(percent)	1976—(percent)
Coats and jackets	+4,400.0	+0.7	1.1	49.5
Dresses and suits	+582.4	−20.8	0.8	7.2
Blouses	+379.9	+12.1	12.7	54.2
Knit sport shirts	+3,284.6	+85.2	5.9	107.6
Sweaters	+1,790.2	−19.5	5.1	119.1
Skirts	+1,780.0	−26.8	0.4	10.5
Slacks and shorts	+326.0	+171.3	25.8	40.6
Rainwear	+833.3	−19.1	5.5	62.9
Dressing gowns and robes	+360.0	−17.6	1.5	7.8
Nightwear and pajamas	+44.4	+36.0	2.4	2.5
Underwear	+1,211.8	−1.7	0.2	2.6
Brassiers	+233.3	+0.6	15.2	50.3

REDUCTION OF TARIFFS WOULD INCREASE IMPORTS

Reduction of tariffs on apparel items would substantially increase imports of apparel into this country. This is evidenced from data obtained in connection with item 807 [2] of the United States Tariff Schedule. Reduction of duty on item 807 apparel products has been substantial. In each of the years 1970, 1972, 1974, and 1975, duty was paid on only one-third the aggregate value of the apparel items.[3]

The growth rate of item 807 apparel imports has been significantly higher than that of non-807 (no duty-free components) apparel imports. Between 1970 and 1975, the total value of items 807 apparel imports increased at an average annual rate of 41 percent compared to about 15 percent for total imports of apparel.[4]

The data available for apparel entering under item 807 indicate that reducing tariffs on apparel items would promote an even greater growth rate of imports than presently exists.

GEOGRAPHIC DISTRIBUTION OF APPAREL FIRMS

The geographic distribution of apparel firms is significant. More than sixty percent of hosiery, jeans, shirts, nightwear, men's suits, and underwear is produced in 5 to 26 states. On the other hand, more than 80 percent of women's and children's outerwear is produced in one state, New York.

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[2] Item 807 applies to articles assembled abroad with United States fabricated components; after assembly abroad these items are reshipped to the United States for sale. Under tariff item 807, imported articles assembled in foreign countries with fabricated components that have been manufactured in the United States are subject to duty upon the full value of the imported product less the value of the United States fabricated components contained therein.

[3] Subcommittee on Trade of the House Committee on Ways and Means, Background Information and Compilation of Materials on Items 807.00 and 806.30 of the Tariff Schedules of the United States 34 (July 12, 1976). Moreover, apparel entering the United States under item 807 is imported primarily from countries whose wages are significantly lower than United States wages. *Id.* at 38, 39.

Tariff rates for these apparel items are especially high; for 69 percent of the apparel imports under item 807, rates ranged from 39 percent ad valorem to 42.5 percent ad valorem. *Id.* at 36.

[4] *Id.* at 33.

In New York City, women's and children's apparel manufacturing accounts for about 150,000 jobs (down from over 200,000 eight years ago). It generates an estimated $100 million in direct and indirect state and local taxes. An estimated 100,000 buyers are drawn to New York City from stores in fifty states, filling city hotel rooms, cabs, restaurants, shops, theaters, and serve establishments. Increased imports and corresponding decreased domestic production would thus have far reaching effects on an already economically troubled city.

THE RETAILER, NOT THE CONSUMER, WILL BENEFIT FROM TARIFF CUTS

Presently, the risks of buying abroad (e.g., tying up funds in letters of credit, difficulty of returnig defective or wrong merchandise, lack of quality control, unreliable fulfillment commitments) have compelled retailers to turn to New York manufacturers for imports. The domestic manufacturer supplements the volume generated by his own manufacturing operation by doing importing and domestic distribution. This enables many manufacturers to stay in business in spite of imports. these manufacturers fill their customers' needs for lower-priced foreign goods and at the same time fill their needs for original American-made fashions.

Tariff cuts would be incentive for retailers to bear the additional risks in importing directly, bypassing the U.S. manufacturer-distributor. The tariff cut would be enough to compensate the retailer for the additional risks involved in importing directly.

The retail operating results published regularly by the Federal Trade Commission, in the SEC's SK-10 forms filed by retailers, the yearly Cornell University studies of the discount department store industry and the supermarket industry, and the annual operating results of conventional department stores issued yearly by the National Retail Merchants Association reveal that inflationary pressures, combined with consumer sophistication, have prevented most retailers from fully passing their cost increases on to shoppers. They absorb some or many of the costs of doing business. Retailers severely need to enhance gross margin; tariff reductions are not likely to be passed on as savings to consumers. Retailers will apply the reduction to profits being eroded by escalating costs, from taxes to advertising, from utilities to rent, from merchandise to payroll.

It is not unreasonable to assume, moreover, that as the economic appeals to retailers of low-cost apparel imports increase, quality control will slip. If this assumption is correct, consumers will pay the same as before, but for lower quality merchandise. Whether or not quality deteriorates, the United States manufacturer would be driven out of the manufacturing business and bypassed as an importer. The jobs he provides in either capacity would vanish as would the taxes he pays and generates indirectly.

In 1977, the Chairman of the House Subcommittee on Trade requested that the Library of Congress determine whether the presumed lower cost of imported products results in an overall lower cost to the American consumer. The Library of Congress concluded [8] that the markup ratios on apparel imports appear to be *higher* than those on domestic apparel products. Any lower costs of apparel imports within the United States accrue to retailers by way of higher profits, not to consumers by way of lower prices.

For all of the above reasons, the Federation of Apparel Manufacturers strongly endorses H.R. 10853.

Respectfully submitted.

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., July 10, 1978.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade, Committee on Ways and Means, Washington, D.C.

DEAR CHARLIE: During the period January through May, 1978, there has been a 33 percent increase in textile/apparel imports over the same period of 1977.

This breaks down as increases in the following categories:

(1) Apparel—27 percent.
(2) Fabrics—38 percent.
(3) Yarns—44 percent.
(4) Made-up goods—28 percent.

[8] Subcommittee on Trade of the House Committee on Ways and Means, Library of Congress Study on Imports and Consumer Prices (July 19, 1977).

Our trade deficit in textiles has amounted to $3.4 billion. At its present rate, however, that deficit is running at an annual rate of $4.4 billion. In the far east alone, it exceeds $2 billion, and despite the yen-dollar relationship it is growing.

As you know, petroleum is no longer the primary trade deficit item, having been supplanted by machinery, which is followed by manufactured products, including textiles.

These data of the first few months of this year have persuaded me that action to help our textile/apparel industry increasingly deserves the thoughtful consideration of both House Ways and Means and Senate Finance Committees. I suspect that my comments will be borne out by the testimony at your hearing on July 10.

I commend your efforts in this matter, and look forward to reviewing the product of your labors when we begin our own review of this matter in the Finance Committee.

Sincerely,

WILLIAM D. HATHAWAY,
U.S. Senator.

STATEMENT OF GAIL T. CUMINS, SECRETARY-TREASURER, ON BEHALF OF INTERNATIONAL APPAREL IMPORTERS ASSOCIATION, INC.

This statement in opposition to H.R. 10853 is submitted on behalf of the International Apparel Importers Association Inc. (hereinafter referred to as the I.A.I.A.). The I.A.I.A. is an association of over 30 of the largest apparel importers in the United States whose members, collectively, supply retail stores in the United States with a substantial segment of all wearing apparel sold to the American consumer.

The merchandise imported by I.A.I.A. members is covered principally by item numbers 376.54-376.56 (rainwear), 380.00 through 382.87 (textile wearing apparel) and 772.30 (rubber or plastics wearing apparel) of the Tariff Schedules of the United States (TSUS), and the majority of this merchandise is currently subject to quantitative limits on imports, by reason of bilateral agreements negotiated by the United States and foreign governments pursuant to the provisions of the "Arrangement Regarding International Trade in Textiles" (MFA).

This brief is submitted in opposition to H.R. 10853, which would exempt textile and apparel items from tariff cuts in the "Tokyo Round" of Multinational Trade Negotiations. If enacted, H.R. 10853 would seriously undermine the United States' ability to negotiate a comprehensive multinational trade agreement in a manner beneficial to the entire country. Any "trade war" which might result if the Tokyo Round negotiations are not successful could only have an adverse effect on all American citizens faced with perhaps the most severe inflationary pressures in this country's history. If the United States in to win its fight against inflation and to negotiate a comprehensive trade agreement containing provisions designed to protect U.S. workers from unfair trade practices, it is essential that the grossly excessive tariffs in effect for wearing apparel products be reduced.

Moreover, an examination of the current regulatory scheme effecting textile imports conclusively establishes that the tariff cuts contemplated by the Tokyo Round could not possibly harm the U.S. wearing apparel industry.

The duty structure for textile apparel, as it presently exist, is artificially high, in both absolute and relative terms. For example, products, classified in tariff items 380.04 and 382.04, TSUS, which provide for ornamented wearing apparel of man-made fibers, are dutiable at the rate of 42½ percent ad valorem. Ornamented cotton apparel products, classified in items 380.00 and 382.00, TSUS, are dutiable at a rate of 35 percent ad valorem. And ornamented wool apparel, classified in items 380.02, TSUS, is dutiable at 42½ percent ad valorem. Similarly, non-ornamented knit cotton apparel, items 380.06 and 382.06, TSUS, is dutiable at a rate of 21 percent ad volorem. Many unornamented wool apparel products are dutiable at a rate of 37.5 cents per pound plus 32 percent, 30 percent, 21 percent, 20 percent, or 15½ percent ad valorem (items 380.57, 380.61, 380.66, 382.48, 382.54, 382.56, 382.58 and 382.63.) And unornamented man-made fiber apparel is dutiable at 25 cents per pound plus 32½ percent (if knit) or 27½ percent (if woven) ad volorem (items 380.81, 380.84, 382.78 and 382.81).

While these rates are obviously high in absolute terms their excessive nature is also shown when they are compared with rates on other products imported into the United States. For example, the majority of imported machines, which are classified in Part 4 of Schedule 6 of the Tariff Schedules, are dutiable at rates ranging from 4 to 7½ percent ad volorem. Foreign-made automobiles (classifiable in item 692.10, TSUS) are dutiable at 3 percent ad valorem. Thus, the duty rates on textile wearing apparel are in many instances over 10 times those rates which apply to other finished imported products.

Similarly, the rates applicable to apparel imported into the United States are substantially higher than the duty on similar merchandise imported into those nations belonging to the European Economic Community, in which duty rates on imported apparel products range from 10½ percent for babies garments to 17 percent for most textile wearing apparel.

The high rates of duty which currently exist on apparel are the result of strong pressures by protectionist forces in the domestic apparel industry. And not only are these rates no longer in line with the rates on most other U.S. imports and the rates which most other nations place on apparel products, but the U.S. rates are no longer necessary to protect the domestic apparel industry.

At present the quantity of apparel products imported into the United States is severely curtailed by quota limitations imposed pursuant to bilateral agreements negotiated under the MFA, securing for the domestic apparel industry what amounts to a protected market in which to sell its goods.

At the end of 1977, the United States had signed bilateral agreements with 18 major textile importing countries providing limitations on imports into the United States of most textile apparel items (See The History and Current Status of the Multifiber Arrangement, January, 1978, USITC Publication 850 (hereinafter cited as ITC Report)). During 1976, imports from these countries accounted for 82 percent of total cotton textile imports. (ITC Report at 39). And the effectiveness of these agreements in protecting U.S. apparel manufacturers is apparent inasmuch as many quota categories have been completely filled or almost filled during the course of recent quota years. For example, the quota on imports of woven cotton men's and boys' sports shirts (MFA category 46) from Hong Kong (which accounted for 45 percent of total imports of this product into the United States) was completely filled for the quota year ending on September 30, 1976, and the new Hong Kong textile agreement allows an annual increase of only 3 percent for woven cotton shirts. (ITC Report at 35). Thus, domestic industry cannot posibly be harmed by a tariff reduction on this article. Regardless of the reduction in duty rates on woven shirts, the U.S. importer will not be able to increase its share of the market, and any refusal to allow a tariff reduction on these shirts will only serve to increase prices for the U.S. consumer. The effectiveness of the MFA in protecting domestic apparel producers of other textile items is further established by reviewing the exhibit attached to this statement setting forth those MFA levels which were 85 percent or more filled during 1976 (ITC Report at C-70—C-71).

Inasmuch as the domestic apparel industry is adequately protected by these quota agreements, the maintenance of high rates of duty on apparel merely forces the U.S. consumer to pay higher prices for such merchandise than would otherwise be necessary. Moreover, the U.S. industry has additional protection in the many provisions of U.S. law—i.e., Antidumping Act, Countervailing Duty Law, etc.—which can be used to increase duty rates on apparel products when specific documented needs may arise.

Given the existing quota structure and those laws protecting American manufacturers from unfair trade practices, the U.S. apparel industry cannot reasonable conclude that they would harmed by Tokyo Round tariff reductions. Moreover, the U.S. apparel industry cannot cite the existence of trade deficit as a reson for enacting H.R. 10853. The difference in labor costs between U.S. and foreign manufacturing is not as significant as in the past and the bottom line cost of manufacturing and importing apparel from the Far East approximates the costs of manufacturing the same garments in the U.S. (See Daily News Record, Monday, June 26, 1978, at 6). The domestic apparel industry should attempt to decrease its own manufacturing costs and increase its emports activity before taking steps which could adversely effect the American consumer and the U.S. importing community. For example, in its recent report on sweaters, the International Trade Commission noted that "U.S. sweater manufacturers have exhibited little effort to use U.S. Government agencies such as the Bureau of International Commerce to help them establish export markets for their goods". While "In contrast, the three largest exporters of sweaters to the United States * * * depend heavily on their promotion centers." (Summary of Trade and Tariff Information, Sweaters, USITC Pub. No. 841, January 1978, at 15). Thus, a world-wide reduction in tariff rates for textile articles would help the U.S. manufacturing industry provided that industry spent as much time, interest and effort in exporting their products as they do in attempting to hinder the importation of apparel items into the United States.

Finally, with the severe quotas imposed on imported apparel products, the American apparel importing industry, which consists of American businessmen employing tens of thousands of American employees in the United States, needs reduced duty rates in order to remain competitive with U.S. manufacturers who are capable of producing all the merchandise they are able to sell.

In summary, therefore, we submit that the domestic apparel industry is more than protected from imports by existing and contemplated quotas on imported goods. The high rates of duty on imported apparel are not lessening the plight of the domestic apparel industry, but are very adversely affecting both the importing community and the consumer.

A reduction in the rates of duty at the present time would provide a badly needed stimulus to the importing industry without having a significant adverse impact on domestic producers. In fact, any stimulus to the apparel industry is likely to benefit the industry as a whole. Reductions in the rates of duty will almost certainly result in reductions in the price to the consumer. Such reduced prices may serve to reawaken consumer interest, not only in imports, but all production of apparel goods.

Accordingly, we request that every consideration be given to an across-the-board reduction in the rates of duty applicable to articles of textile wearing apparel, and that this Subcommittee vote not to approve H.R. 10853 which would exempt textiles from tariff reductions negotiated pursuant to the Tokyo Round.

Respectfully submitted.

Table 67.--MFA levels which were 85 percent or more filled in specified agreement periods, by countries and by categories

Country	Agreement period	Category	Unit of quantity	Agreement level (thousands)	Imports 1/ (thousands)	Percent filled
Arab Republic of Egypt	Jan. 1, 1976-Dec. 31, 1976	-	-	-	-	-
Brazil	Apr. 1, 1976-Mar. 31, 1977	1-4	Lb	9,652	8,700	92.7
Colombia	July 1, 1976-June 30, 1977	19	Yd^2	1,000	1,412	141.2
		120	No.	125	119	95.3
		228	Doz	48	66	137.3
Haiti	Jan. 1, 1976-Dec. 31, 1976	224	Lb	590	555	94.1
		229	[illegible]	99	86	86.0
		231	Doz	16	19	114.4
		238	Doz	333	333	100.0
		239	Doz	231	211	91.2
Hong Kong	Oct. 1, 1975-Sept. 30, 1976	1-27, 200-213	Yd^{2}E	241,854	210,115	86.8
		22/23	Yd^{2}E	38,110	43,877	115.1
		28-38, 64-241-43	Yd^{2}E	54,614	55,373	101.4
		39-63, 214-240	Yd^{2}E	549,400	593,376	108.0
		41/42/43 & 62(pt.	Yd^{2}E	2,019	3,519	174.3
		45/46/47	Yd^{2}E	48,575	49,695	102.3
		48	Doz	24	36	152.2
		49/63	Doz	301	543	180.2
		50/51	Doz	4,584	4,964	108.3
		116/117 2/	Doz	1,117	1,290	115.2
		218/219/224(pt)	Doz	3,456	4,255	123.1
		221	Doz	1,115	1,256	112.7
		222	Doz	778	752	96.7
		237	No.	132	318	241.3
India	Oct. 1, 1975-Sept. 30, 1976	9/10	Yd^2	47,857	46,664	102.6
		18/19	Yd^2	10,075	10,075	97.5
		26(pt) 3/	Yd^2	44,079	42,002	95.3
		26(pt) 4/	Yd^2	14,000	13,099	[illegible]
		28-38, 64	Yd^{2}E	12,000	12,000	100.0
		39-63	Yd^{2}E	20,000	19,853	99.3
Japan 5/	Oct. 1, 1975-Sept. 30, 1976	200-213, 241, 243pt.	Yd^{2}E	630,130	569,753	90.4
Korea	Oct. 1, 1975-Sept. 30, 1976	9/10	Yd^{2}E	7,153	6,403	89.5
		18/19/26(pt)	Yd^{2}E	5,935	5,743	[illegible]
		22/23	Yd^{2}E	3,917	3,680	93.9
		26(pt) 4/	Yd^{2}E	24,873	21,595	86.8
		31	No.	5,747	5,669	98.6
		39	Doz Pr	266	266	100.0
		43	Doz	173	173	100.0
		48	Doz	24	36	152.2
		49	Doz	54	52	95.8
		54	Doz	84	84	99.7
		63(pt) 6/	Lb	935	931	99.6
		64	Lb	1,957	1,762	90.0
		101-132	Yd^2	14,704	13,421	91.3
		104	Yd^2	1,700	[illegible]	98.8
		116/117	Lb	517	499	[illegible]
		120	No.	356	356	100.0
		121	No.	213	204	95.8
		209	Yd^2	2,000	2,000	100.0
		210	Yd^2	1,170	1,170	100.0
		218	Doz	829	769	92.8
		219	Doz	4,393	4,393	100.0
		221	Doz	3,018	3,018	100.0
		224(pt) 7/	Doz	47	47	100.0
		224(pt) 8/	Doz	44	39	88.9
		224(pt) 9/	Lb	3,868	3,748	96.9
		225	Doz	147	140	95.2
		228	Doz	965	859	88.0
		229	Doz	797	797	100.0
		235	Doz	1,599	1,574	98.4
		237	No.	168	168	100.0
		238	Doz	231	231	100.0
		242	Lb	192	192	100.0
		243	Lb	1,282	1,333	103.9
Macau	Jan. 1, 1976-Dec. 31, 1976	46	Doz	29	29	97.1
Malaysia	Jan. 1, 1976-Dec. 31, 1976	26	Yd^2	6,475	5,549	85.7
		45/46/47	Yd^{2}E	5,303	5,303	100.0
		64	Lb	233	250	107.3
Mexico	May 1, 1976 -Apr. 30, 1977	116/117	Lb	103	97	94.2
		225	Doz	2,181	2,100	96.3
		228	Doz	137	154	112.1
		237	No.	156	143	91.9
		238	Doz	1,036	1,008	97.3
		240	Lb	861	871	101.1
Pakistan	Jan. 1, 1976-Dec. 31, 1976	1-27	Yd^{2}E	101,220	86,237	85.2
		9/10	Yd^2	53,563	47,079	87.9
		22/23	Yd^2	6,314	5,682	90.0
		26 4/	Yd^2	12,028	10,536	[illegible]
		28-64	Yd^{2}E	23,626	[illegible]	[illegible]
		31 10/	No.	15,017	15,017	[illegible]
		39-63	Yd^{2}E	11,850	13,302	[illegible]

Table 67.--MFA levels which were 85 percent or more filled in specified agreement periods, by countries and by categories—continued

Country	Agreement period	Category	Unit of quantity	Agreement level (thousands)	Imports 1/ (thousands)	Percent filled
Philippines	Oct. 1, 1975-Sept. 30, 1976	39	Doz Pr	387	344	88.8
		42/43/62(pt) 11/	Doz	450	387	86.1
		51	Doz	100	89	89.2
		52	Doz	48	54	112.7
		54	Doz	94	87	92.9
		63(pt) 12/	Lb	1,159	1,124	97.1
		64	Lb	217	431	198.1
		204	Lb	728	1,181	162.2
		214	Doz	1,000	916	91.6
		219	Doz	326	302	92.5
		221(pt) 13/	Doz	19	21	111.9
		223	Doz	300	292	97.3
		224(pt) 9/	Lb	385	612	159.1
		224(pt) 7/	Lb	100	100	100.0
		224(pt) 8/	Lb	100	75	74.7
		225	Doz	2,500	2,269	90.8
Poland	Jan. 1, 1975-Dec. 31, 1976	43	Doz	415	435	104.9
		48	Doz	20	28	142.3
		62	Lb	326	820	251.5
		63	Lb	152	257	168.8
Romania	Jan. 1, 1976-Dec. 31, 1976	34	No.	323	314	97.2
		46	Doz	39	50	127.9
		49	Doz	92	81	87.6
		62	Lb	1,087	1,614	148.5
Singapore	Jan. 1, 1976-Dec. 31, 1976	15	Yd²	1,000	917	91.7
		31	No.	2,874	4,047	140.8
		219	Doz	2,373	2,190	92.3
Taiwan	Jan. 1, 1976-Dec. 31, 1976	9/10	Yd²	40,185	34,815	86.6
		18/19	Yd²	2,392	2,289	95.7
		22/23	Yd²	4,312	3,664	85.0
		43/62	Yd²E	933	918	98.4
		45/46/47	Yd²E	15,168	14,810	97.6
		50/51	Doz	777	751	96.7
		52	Doz	317	289	91.3
		54	Doz	56	54	97.2
		55	Doz	14	12	90.1
		60	Doz	48	48	100.0
		101-132	Yd²E	5,497	4,846	88.2
		125	Lb	950	864	91.0
		210	Yd²	2,000	1,837	91.8
		213	Lb	9,523	9,523	100.0
		214	Doz	1,771	1,615	91.2
		219	Doz	5,303	5,052	95.3
		221	Doz	4,069	3,913	96.2
		224	Lb	10,769	9,703	90.1
		229	Doz	388	407	104.9
		238	Doz	758	780	102.8
		243	Lb	897	896	99.9
Thailand	Jan. 1, 1976-Dec. 31, 1976	15	Yd²	1,000	979	97.9
		26 4/	Yd²	2,300	2,478	107.7
		26/27 3/	Yd²	4,400	4,100	93.2
		48	Doz	14	15	107.0
		208	Yd²	1,000	1,422	142.2

1/ Import figures represent the exports that are shipped from a foreign country during the agreement period specified. However, some shipments may actually be imported into the United States after the specified agreement period.

2/ Wool sweaters.

3/ Excludes duck (all TSUS items in category 26, except TSUS items with prefixes of 320, 321, 322, 326, or 327 and common suffixes of --01 through --04, --06 and --08).

4/ Includes duck.

5/ Japan has no agreement limitation on category, group, or aggregate levels. Elimination was carried out in two stages. The first stage, effective Dec. 19, 1975, eliminated limitations on all cotton plus manmade-fiber category levels. The second stage, effective Feb. 15, 1977, eliminated the remainder of manmade-fiber limitations and all those on wool.

6/ Includes shoe uppers (TSUS items 380.3980 and 382.3380).

7/ Includes men's and boys' knit suits (TSUSA items 380.0420 and 380.8143).

8/ Includes other wearing apparel, knit men's and boys' coats, (TSUSA items 380.0402 and 380.8103).

9/ Other wearing apparel, knit. Includes all of category 224 except TSUSA items 380.0420, 380.8143, 380.0402, and 380.8103.

10/ Towels, excluding shop towels (TSUSA item 366.2740).

11/ Includes all of category 43 and TSUSA items 380.0027, 382.0002, 382.0026, 382.0605, and 382.0610 in category 62.

12/ Wearing apparel not knit, n.e.s.

13/ Other.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Data are compiled from Census reports through Feb. 28, 1977, except for the following: Brazil, through July 29, 1977; Colombia and Mexico, through June 30, 1977; India and Taiwan, through Mar. 25, 1977; and Romania, through Apr. 1, 1977.

LADIES APPAREL CONTRACTORS ASSOCIATION, INC.,
New York, N.Y., July 6, 1978.

Hon. CHARLES A. VANIK,
Chairman, Committee on Trade, Longworth House Office Building, Washington, D.C.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: The Ladies Apparel Contractors Association, Inc. is a Trade Association, comprised of approximately 200 members, apparel sewing contractors, located in the State of New York. They employ approximately 12,000 workers, who are members of the International Ladies Garmet Workers Union.

The opinion I express on behalf of our Association also represents the views of the Connecticut Dress Manufacturers Association Inc; an affiliate of the Ladies Apparel Contractors Association, Inc. with a membership at the present of 24 contractors located in the State of Connecticut and the Commonwealth of Massachusetts. They employ 2,000 workers who are members of the International Ladies Garmet Workers Union.

In 1968, just a decade ago, the membership of the Ladies Apparel Contractors Association, Inc. was 394 members, and that of its Connecticut affiliate was 35 members. Between the two Associations they employed somewhere in the neighborhood of 33,000 workers.

Our members, the Contractors, perform the cutting and sewing operations for the Manufacturers and Jobbers in our Apparel Industry. Over the past ten years, many Manufacturers and Jobbers went out of business, and of course many Contractors dependent on these Manufacturers and Jobbers for their bundles of work found it necessary to follow suit. They were obliged to shut down their factories with the loss of thousands of jobs for workers in the Industry.

Manufacturers and Jobbers may have ceased operating for many reasons, but the preponderance of them decided to close down their firms, ceased domestic manufacturing and re-opened new firms as importers. These domestic Manufacturers and Jobbers turned importers found it more profitable to take advantage of the cheaper labor rates, standards and conditions that exist in foreign countries. Many Manufacturers and Jobbers did not close their firms, but instead remained in business, lessening their production here in the United States and averaging out their costs of production by importing as well as producing domestically. The net results over the past ten years was a loss of Industry and loss of jobs here in the United States.

Has the American consumer benefited by importing of apparel produced by cheaper labor overseas? Definitely not! Both the importers and the retailers have so marked up their prices for larger profits, that the consumer does not receive the advantage and benefit that would normally be derived from the cheaper manufacturing in foreign lands.

The continuous increase of imports annually have severely injured the Apparel Industry in the United States and both Industry and the jobs of workers have been on the constant decrease. This has also taken its toll on the revenue normally realized by the Federal, State and Municipal treasuries so dependent on corporate profits and the payrolls of workers for such reveneus.

I would like to relate a personal incident that took place this past month. I had occasion to purchase a gift for a new born baby. I visited the largest store in the City of New York to purchase an article of clothing as a gift. It is unpleasant for me to have to report to you that I was unable to find one item of clothing that was manufactured domestically here in the United States. I would suggest, if I may be so bold, that perhaps you gentlemen of the Committee, or perhaps whomever you would designate, investigate the statement I have just made. I would be willing to speculate that the same holds true in Washington, D.C., or back home in your local department stores, as well as the store I shopped in New York City.

Our Association and its Connecticut Affiliate appeals to your Committee to protect our Apparel Industry here in the United States and to preserve the jobs of the workers in our factories. The consumer will not suffer by paying higher prices for apparel as so many would want us to believe. The treasuries of the Federal and local governments will benefit by these factories not closing down and jobs being lost in the future.

Any action by the Administration to lower the tariff on Apparel could be further catastrophic to our Apparel Industry, which has already suffered enough.

It is respectfully recommended that HR-10853 be passed and apparel as one of the products covered by the Multifiber Arrangement be exempt from further tariff reductions in the Multilateral Trade Negotiations.

Respectfully,

ARNOLD SCHWEDOCK,
Executive Director.

NATIONAL RETAIL MERCHANTS ASSOCIATION,
Washington, D.C., July 10, 1978.

Hon. CHARLES A. VANIK,
Chairman, Subcommittee on Trade, Committee on Ways and Means, Washington, D.C.

DEAR CHAIRMAN VANIK: The National Retail Merchants Association submits this communication to provide the Subcommittee on Trade with NRMA's views on H.R. 10853, a bill to exempt textile and apparel imports governed by the Multifiber Arrangement from tariff reductions in the "Tokyo Round" of the Multilateral Trade Negotiations now underway in Geneva.

NRMA is a nonprofit, national trade association composed of approximately 3,500 firms which operate more than 35,000 chain, department and specialty stores throughout the nation and sell more than $95 billion annually in goods, some of which are imported. Most if not all of the members of the Association would be directly and substantially affected by the enactment of H.R. 10853. Our purpose here is to express briefly why NRMA opposes the measure.

One important ground of our opposition is that the mandatory exclusion of any major category of products from the negotiations would jeopardize the changes for agreement on every other issue under discussion in Geneva. This is so because these very difficult negotiations clearly require tradeoffs among the negotiating parties on a broad variety of disputed issues. To declare that the United States cannot discuss the question of reducing tariffs on commodities which constitute a very substantial share of world trade is to remove from the bargaining table a principal reason for convening the negotiations in the first place, and to place our negotiators at a decided disadvantage.

Moreover, if H.R. 10853 were adopted, there is every reason to expect that other participants in the negotiations would retaliate by withdrawing from consideration tariff reductions on major categories of their own products. Any such action by our trading partners would obviously reduce the prospect for increased U.S. exports, upon which 9 million American jobs depend.

This point cannot be overemphasized. In particular, for example, it is clear to close observers of the Geneva negotiations that reduction of European barriers to U.S. agricultural products may well hinge upon reciprocal concessions by the United States regarding our own tariffs on textiles and apparel.

For these reasons, rather than risk scuttling the negotiations altogether, NRMA strongly urges that Congress grant our negotiators continued freedom to proceed under the existing ground rules. We believe restraint on the part of Congress will improve the likelihood that the discussions in Geneva will produce treaties that are progressive, balanced and fair. Equally important, under the terms of the Trade Act of 1974, by exercising restraint now, Congress foregoes none of its power to alter or even reject trade teaties once they are negotiated.

NRMA also opposes H.R. 10853 on economic grounds. Lower American tariffs on textile and apparel products would substantially aid American consumers by reducing the landed cost of imports and thus, via the intense competition of the American retail market, ensure that future prices paid by American consumers for textiles and apparel will be lower than they would be if tariffs remain unchanged.

Proponents of H.R. 10853 argue that it will preserve jobs in the American textile and apparel industry. That argument is simply invalid. The explicit purpose of the Multifiber Arrangement is to protect American jobs by controlling the volume of textiles and apparel imported from countries which are party to the Arrangement. In cases in which quantitative restrictions are effective, and quotas are filled, reduced tariffs post no threat to American jobs because they cause no increase in the volume of imports. Their effect can only be beneficial: to produce lower consumer prices.

Part of the customary argument against liberalized trade is based upon misconceptions about the initial cost and the retail price of imported goods. The essence of the argument is that American consumers derive no benefit from the lower cost of imports because retailers fail to pass those lower costs along to consumers. The case against that argument is powerful. NRMA addressed this issue directly in the enclosed policy paper entitled "How American Consumers Benefit from Imports," issued by the Association in October 1977. We ask that this piece, together with this letter, be made a part of the record of the hearing on H.R. 10853.

Sincerely,

VERRICK O. FRENCH,
Vice President, Governmental Affairs.

Enclosure.

HOW AMERICAN CONSUMERS BENEFIT FROM IMPORTS

Protectionist attacks directed against consumer access to imports have reached fever pitch. Citing the unsatisfactory level of unemployment as well as the adverse trade balance attributable primarily to swelling oil imports, protectionists are arguing that import restrictions are now essential in order to save jobs for Americans who wish to work but cannot find the opportunity.

Opponents of freer international trade use various arguments to justify their demands for import restrictions. Among such charges are that foreign competitors engage in "unfair" practices. Opponents of freer trade do not limit their attacks to foreign manufacturers alone. The opponents assert that retailers are the real beneficiaries of importing, and that the retailer's primary interest is in charging an inflated markup on imported goods. This charge was most recently embodied in the July 19, 1977 Library of Congress Study on Imports and Consumer Prices, prepared at the request of Representative Charles A. Vanik, Chairman of the Subcommittee on Trade of the House Committee on Ways and Means (WMCP: 95–43). This erroneous charge will be answered in detail below.

The Library of Congress Study—Its Flaws

The Library of Congress Study suggests that markups on imported products are higher than those on domestic products, and that the lower cost of imports does not result in a price benefit to the consumer but merely allows the retailer a higher profit. The "study" was apparently based exclusively on limited information from labor unions and manufacturers which have no first-hand knowledge of retailers' pricing practices; to our knowledge, no information was gathered either from retailers or consumers. It is thus fortunate that the "study" qualifies its conclusions by pointing out that insufficient information is available to confirm these assertions. The "study" has, nevertheless, given rise to publicity against imports, including an article in the September 5th edition of *Business Week* under the title "When Free Trade Means Higher Consumer Prices."

It is curious that the "study" suggests that imports are not offered to the consumer at a lower cost than domestic merchandise. That suggestion is at odds with repeated protectionist urgings that imports are dominating the United States markets because of underselling. The plain fact is that where imports are successfully sold, it is because consumers find that the imported product offers better value—i.e., lower price and/or higher quality than the comparable domestic product. Even if imports were not sold at prices below those for domestically manufactured merchandise, such circumstances should not be cause for criticism of retailers. Again, it is American consumers, through literally billions of individual purchasing decisions on an annual basis, who ultimately determine characteristics—quality, features and price—of the merchandise that is offered to them by retailers. Given the intense competion which exists in the general merchandise retail industry, no retailer can successfully sell merchandise which consumers do not like. Nor can any retailer maintain the price of a product at an unacceptably high level. To be sure, a retailer must seek to make a profit on what he sells. But that profit is kept sharply restricted by competitive conditions within the industy. Department store net profits have averaged only approximately 3 percent of sales for the past 10 years (NRMA, Financial and Operating Results of Department and Speciality Stores for 1976).

As for the interest of retailers in imports, that interest is a particular one. Competitive conditions within the industry require the successful retailer to be sensitive and responsive to the needs and desires of its customers. Each retailer must strive to offer the consumer the best possible merchandise—selected from the world market—at the lowest possible prices. Imports are not substantial in relation to total sales in the general merchandise retail industy. Yet imports are essential to the retailer's mission of satisfying consumer choice. Much imported merchandise is of primary interest to lower income customers who could not otherwise afford the quality, style, price and fashion, now available through imports, in the American market. Further, many imported items have no known domestic counterpart. Whatever the role of a particular import, a retailer can succeed with the item only if it is accepted and chosen for purchase by consumers.

The "study's" discussion of women's apparel notes that the only basis for its conclusions on retailer markups was testimony given by labor union representatives in hearings not specifically devoted to this issue. Yet, ever their testimony recognized that imports can be obtained by retailers at a cost substantially below that for domestic merchandise. For example, Mr. Samuel discusses knit shirts and suits imported from the Far East costing $35 per dozen and $45, respective, F.O.B. West Coast, as compared with $55 per dozen and $65-$70 if procured from the domestic market. It is simply unrealistic to assert, without support, that domestic merchandise costing approximately 50 percent more than the imported merchandise would be retailed of the same price. The cost advantage on the imported product would surely be reflected in a lower selling price than for the domestic product; the cost advantage is so substantial that the retailer would be likely to sell the product at a highly promotional price, far below the price for the comparable domestic product.

The testimony of a few labor union representatives constitutes a slender reed upon which to base an assertion that the lower cost of imports does not reduce the overall cost to the U.S. consumer, but merely results in a higher profit for retailers. Indeed, one retailer, in response to the "study's" assertions, recently assembled and presented to the staffs of the House Trade Subcommittee and of the Special Representative for Trade Negotiations a number of the Special Representative for Trade Negotiations a number of examples of the significant price advantage to consumers which his store offers through imports, as follows:

Item	Retail Price of Imported Product	Retail Price of Domestically Purchased Product
100% cotton, preshrunk, women's flannel nightwear	$8, and $6.50 each or 2 for $12 during anniversary sale. Expect to sell 80% at sale price	No comparable domestic goods except at retail prices of $16 and above
100% acrylic juniors' basic cowl sweater	$10 and $6.90 during anniversary sale. Expect to sell 60% at sale price	No comparable domestic goods except at retail prices of $12 to $15
100% cotton men's flannel sport shirt	$13, and $9.90 at sale price	$15
65% polyester, 35% cotton men's dress shirt	$7, and $4.70 at sale price. Sold 59% of white and 99% of pastel at sale price	$8, and $9-10 expected as a result of recent cost increase
Nylon winter jackets	$30 and $23.90 at sale price	$30
100% cotton mens corduroy sport shirt	$18, and $12.90 at sale price	$16
60% wool, 15% acrylic, 15% nylon, 5% rayon men's crew neck sweater	$16, and $9.90 at sale price. Expect to sell 75% at sale price	$16
Poly knit blouses	$15, and $9.90 at sale price. Expect to sell more than 50% at sale price	$15
100% orlon ribbed turtle neck sweater	$13, and $9.90 at sale price. Expect to sell 75% at sale price	$13
100% acrylic pullover dress sweater top	$19, and $14.90 at sale price. Expect to sell 75% at sale price	$20
100% acrylic sweater wraps	$35, and $22.90 at sale price. Expect to sell 75% at sale price	$45

Such solid marketplace evidence, which is replicated in retail establishments throughout the United States, disproves the allegation that consumers do not benefit from imports.

With respect to shoes, the "study" similarly provides no basis for a conclusion that lower import costs are not beneficial to consumers in the form of lower prices. Indeed, a significant percentage of imported shoes are retailed at prices far below those for domestic shoes. The quoted excerpt from the International Trade Commission Report to the President on Investigation No. TA-210-18 does no more than reflect a contention of domestic producers that less costly imported footwear is sold at or near the same price as its domestic counterpart. Even that contention is tempered by the admission of a domestic industry representative, cited in the "study", that expenses and markdowns on imports are larger. Further, the "study" indicates that a representative of the domestic footwear industry testified before the ITC to the effect that "the substantially lower price of imports— despite its higher markup—does result in some benefit to the consumer through a lower retail price." The example cited in the "study" shows that the domestic shoe was sold at a price more than 11 percent than the price of the imported product.

Again, examples showing the price advantage afforded to consumers on imported shoes are commonplace. There simply is no basis for charging that consumers do not benefit from imports. Rather, the consumer benefit is substantial.

Withour discussing the portion of the "study" dealing with mushrooms (which are not typically sold by the general merchandise retailer), we turn now to the "study's" conclusions that markups on imports appear to be higher and that in certain instances the lower cost of imports does not result in a price benefit to consumers. This latter assertion has been refuted above. As for the assertion that markups on imports are higher, NRMA itself does not collect data separately for imports and domestic merchandise. However, we believe that an objective review of practices throughout the full spectrum of the general merchandise retail industry would confirm there is no significant difference. Morevoer, to the extent that differences may exist, there are a number of commercial reasons, as recognized by the "study", such as higher risk less reliable delivery, more red tape, etc.—described in detail below—which justify higher markups imports.

We believe it misleading to compare directly markups on imports with those on domestically purchased merchandise, for differences in cost and risk factors between importing on the one hand, and domestic purchasing on the other, are substantial and fundamental.

First, imports involve a significantly higher buying expense than is incurred in domestic purchases. In order to import, retailers either maintain their own overseas offices and/or have agents abroad to whom substantial percentage commissions are paid. In order to select merchandise from overseas markets, expensive overseas buying trips—costing thousands of dollars for each buyer—are necessary. And, dealing with imports typically involves costs for samples and expense in merchandise and packaging design. Communications expense—telex, cables, telephone, overseas postage, etc.—are high. Also incurred are substantial costs for U.S. importing function, including the expense for arranging foreign shipments and working with U.S. Customs and brokers.

Second, a major extra cost factor involved in importing is the long lead time between order and payment and retail sale. Typically, retailers must fully pay for imports by letter of credit prior to the time the merchandise is shopped from the foreign country. By contrast, retailers purchasing in the domestic market are given payment terms which may well permit them to sell the merchandise before payments to vendor are required. Thus, retailers' money cost of roughly 1 percent per month is far higher on imports. The retailer also incurs higher warehousing costs on imported merchandise. Often, retailers must take delivery for an entire selling season, well in advance of the season, whereas domestic merchandise may be procured later and in smaller quantities with in-season reordering. The slower "selling turn" on imported merchandise (i.e., the longer interval between order and sale) reflects a higher, longer-term investment therein. In addition to generating extra costs, this requires retailers to forego other opportunities, because retailing management technique requires that once a purchase commitment is made, retailers' freedom to purchase other items for sale is constricted to the extent of that purchase.

Third, risk factors on imported merchandise are far greater. Quality problems exist with respect to both domestic and imported merchandise. However, inspection of imported merchandise prior to shipment is extremely difficult, and the return thereof following receipt is impossible. By contrast, particularly in view of deferred payment terms, retailers purchasing defective domestic merchandise have an opportunity to return it and avoid paying therefor. Further, retailers are deemed to be the manufacturer of merchandise which they import for purposes of compliance with legal requirements applicable to the merchandise, whereas of course retailers assume no such responsibility on domestically manufactured merchandise.

Fourth, the cost of imported merchandise is also uncertain. Various costs may well be unknown at the time the retail price is established. While the price retailers pay directly to foreign vendors may be settled, landed costs cannot be precisely determined at the time of ordering due to currency fluctuations, freight rate changes and variable packing costs. Further, Customs classification, valuation and duty assessment decisions—often made months or even years after the merchandise is sold—may increase duties far above the anticipated level. In addition, unplanned air freight costs are often incurred due to shipping delays, and shipping delays also cause higher markdowns due to receipt of merchandise at the end of, or even after, the appropriate selling season. These costs and risk factors are generally absent in domestic transactions.

Fifth, retailers also incur higher costs in connection with imports by directly assuming costs which are often borne by or shared with domestic vendors on purchases from them. For example, foreign vendors rarely support retailers' advertising as compared with cooperative advertising and promotional programs and sales assistance in the form of fashion shows, designer or artist appearances, etc., which are frequently available from dometsic vendors. Foreign vendors do not pay inland U.S. freight, whereas domestic vendors often do. Foreign vendors rarely pack for branch store distribution, whereas domestic vendors do. And foreign vendors rarely preticket merchandise to retailers' specifications or count inventory or train sales personnel, whereas domestic vendors do. Hence, internal costs are significantly higher on imports.

Finally, differences in circumstances between purchasing and selling imports vis-a-vis domestic merchandise lead to higher markdowns on import items. To import requires projecting up to a year in advance the style, color, and often features of merchandise. This increases the hazard that by the time the merchandise arrives, it will not be in vogue. The markdown experience on imports is worse not only for the foregoing reasons, but also because domestic vendors may well extend return privileges or markdown allowances to retailers on domestically produced merchandise. Further, as noted, merchandise defects inevitably result in markdowns; imported merchandise cannot be returned for credit; and, even when all goes well and the imported item selected sells well, retailers generally have little or no opportunity to balance stocks (i.e., reorder and assure a full range of size selection), with the consequence that higher markdowns must be taken in order to clear out remaining import inventory.

Conclusion

The above discussion makes clear that it is erroneous simply to compare the markup percentage on imported versus domestically procured merchandise without taking into account the various additional costs and risks in importing. It is likewise erroneous to assert that imports do not benefit consumers. The evidence of consumer benefit is overwhelming; it is confirmed daily in the market place by the consumers' purchasing decisions.

We presume that no one would seriously suggest that retailers should abandon their quest to procure merchandise at the lowest possible cost. We also presume that no one would seriously contend that government should dictate retail selling prices. Retailers' prices are effectively regulated by the marketplace. If an individual retailer's prices are too high, they will ultimately fall, either through consumers' refusal to buy the product, or competitors' underselling. The poof that this marketplace mechanism has worked effectively is in the modest profit margins of retailers, which are among the lowest of all industries.

We sympathize with those who seek to create jobs for unemployed workers in the United States At the same time, we would resist mightily any attempt to "save" jobs through unsound import restrictions. Virtually all economists recognize that such restrictions are counterproductive and eventually retard economic progress and reduce job opportunities. The answer, we believe, is not the palliative of import restrictions, but rather sound fiscal and monetary policies designed to counter inflationary trends, heightened reliance on competition, and the provision of generous adjustment assistance benefits to firms and workers when necessary in order to enable them to adjust to fair import competiton.

STATEMENT OF HON. WILLIAM C. WAMPLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman. members of the committee, I commend the Subcommittee on Trade for scheduling this hearing on legislation to provide for the exemption of textile and apparel items from tariff reductions in the Multilateral Trade Negotiations.

The textile/apparel industry is vital to the economic well-being of the Congressional District I represent. Failure of such industries due to unconstrained imports will lead to disastrous economic and employment situations not only in the regions in which these workers and industries are located, but in the Nation as a whole.

The negative local, national and international effects of tariff reductions on textile and apparel items can be avoided most effectively by favorable consideration of H.R. 10853 by this Congress. The Administration, proposing substantial tariff cuts in textile, apparel, and fiber products at the Tokyo Round of the Multilateral Trade Negotiations, had previously pledged to negotiate more restrictive bilateral agreements. Adoption of this legislative measure would not be out of step with that previous objective of the Administration.

Imports are growing at a rate far in excess of that of the domestic textile/apparel industry, due in large part to the overly generous growth factor of the Multifiber Arrangement. Efforts to alleviate the serious problems the United States is having with overall economic growth, unemployment and our balance of trade deficit will be seriously hampered without some effective means of preventing tariff reductions for textile and apparel imports.

Now is the time to take preventive action, before irreparable harm is done to these industries and the economies they support by a flood of unchecked imports.

I urge your favorable consideration of H.R. 10853, to amend the Trade Act of 1974, which will provide for an economically viable balance of textile/apparel imports and domestic industry produciton.

STATEMENT OF HON. LEO C. ZEFERETTI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I would like to add my voice to the growing chorus calling for swift passage of H.R. 10853, a bill to exempt textile and apparel items from tariff cuts in the Multilateral Trade Negotiations.

In considering this legislation, Mr. Chairman, it is extremely important that we bear in mind the rationale for U.S. involvement in international trade in general and in textile and apparel trade in particular. The United States is a part of the ever-changing and increasingly interdependent international economy, and the U.S. is obliged to participate in an orderly international commercial arrangement that will benefit both industrialized and developing nations and will protect all countries from the perils of an uncoordinated system given to unilateral, restrictive, and arbitrary actions. Ostensibly, the Multifiber Arrangement establishes a reasonable trade framework and attempts "to control or restrain the volume of textile exports from low-wage countries to high-wage countries . . . and to prevent the rapid or disorderly collapse of the developed countries' industries in the face of low-wage competition." the MFA seeks to "liberalize and expand world textile trade while, at the the same time, avoiding disruption in individual markets."

But, Mr. Chairman, this subcommittee is considering H.R. 18053 today because the textile imports market, as far as the United States is concerned, no longer meets either the general goals of international commerce or the specific purposes of the Multifiber Arrangement. The undeniable facts are that textile imports are destroying the American textile industry and that unless Congress and the administration act to protect textiles from reductions in tariffs, the "collapse" from which the MFA supposedly protects us will occur.

The facts of the situation are well known to this knowledgeable committee: while world exports have risen by 71 percent over the past decade, the U.S.'s share of the market has grown by only 28 percent; in 1976, textiles and apparel alone accounted for $3.1 billion, almost one-third, of our national trade deficit; we have lost 400,000 jobs in the textile industry to imports and we can expect an additional 50,000 jobs to disappear annually if we do not act; and finally, our neglect of a threatened industry has created economic uncertainty and a hesitancy on the part of American business to invest. Chairman Irving Shapiro of DuPont stated at the June 30 news conference that American companies will find it difficult to invest "in the face of continued signals from our government that the domestic industry is being allowed to wither away."

We face here a crucial question of priorities. On the one hand, the United States is indeed part of a world economy, and our international economic commitment carries with it a moral and spiritual commitment that is not easily altered. On the other hand, every national government is duty-bound to balance the needs of the world economy and the dictates of economic inter-dependence against the interests of its own industries and economy. In participating in international trade, we must constantly reevaluate the relative strengths of the international and national trade markets and economies. How the United States responds to international situations that threaten our domestic economic security informs the rest of the world as to how the United States is going to deal with such challenges in the future.

In the case of the textile industry, it is clear to me that the needs of the American textile industry far outweigh our commitment to the international market. If we consider the advantages of interntional textile trade and the disadvantages to our domestic labor market and manufacturing sector, our conclusion must be that participation in international textile trade is not helping us in the least, and that the domestic economy must take precedence over the international market. While we must be mindful of the international consequences of any actions that we take on textile tariffs, by no means should those possible consequences drive us, or trap us, into courses of action that are not in the national interest or that sacrifice American business and labor to international diplomacy.

Mr. Chairman, I join the leaders of American business and labor, and many members of Congress, in calling for the passage of this legislation. By exempting textiles and apparel products from tariff reductions, we will serve the best interests of millions of Americans, including those who work in the industry and the rest of us who buy clothes and use textile products every day. I hope the committee will act as expeditiously as possible.

APPENDIX

Economic Impact of Imports on the Textile and Apparel Industries

Study Conducted by Data Resources, Inc. for Burlington Industries

STUDY DESCRIPTION

Using Data Resources Inc's. long range forecast of the U.S. economy as a base case, the study shows what impact two distinct scenarios would have on the domestic economy. The base or industry position forecast is DRI's best estimate of what the economic picture will be through 1985 with textile and apparel imports growing at the same rate as the U.S. market.

Comparisons are made to show what the impact on the U.S. economy will be —

1) if textile and apparel imports are allowed to grow at the percentage permitted by the current bilaterals (average 6¼%) with the current tariff structure in effect.

2) if all of the above is the same but tariffs are reduced 50%.

DESCRIPTION OF FORECASTS

		Best forecast of the U.S. Economy with:
1.	**Industry Position**	**— Imports growing at the same rate as the U.S. Textile Market**
		Alternate Forecasts:
2.	**Current Tariff Structure**	**— Imports presumed to grow at the average rate permitted by current bilaterals with no cut in tariffs**
3.	**50% Tariff Reduction**	**— Same assumption as Number 2 above but tariffs are reduced by 50%**

CHANGING GROWTH PATTERNS OF THE U.S. TEXTILE INDUSTRY

- In the Decade 1967 – 1976:

  1967 = 9.4 Billion lbs. vs. 1976 = 12.1 Billion lbs. . . .

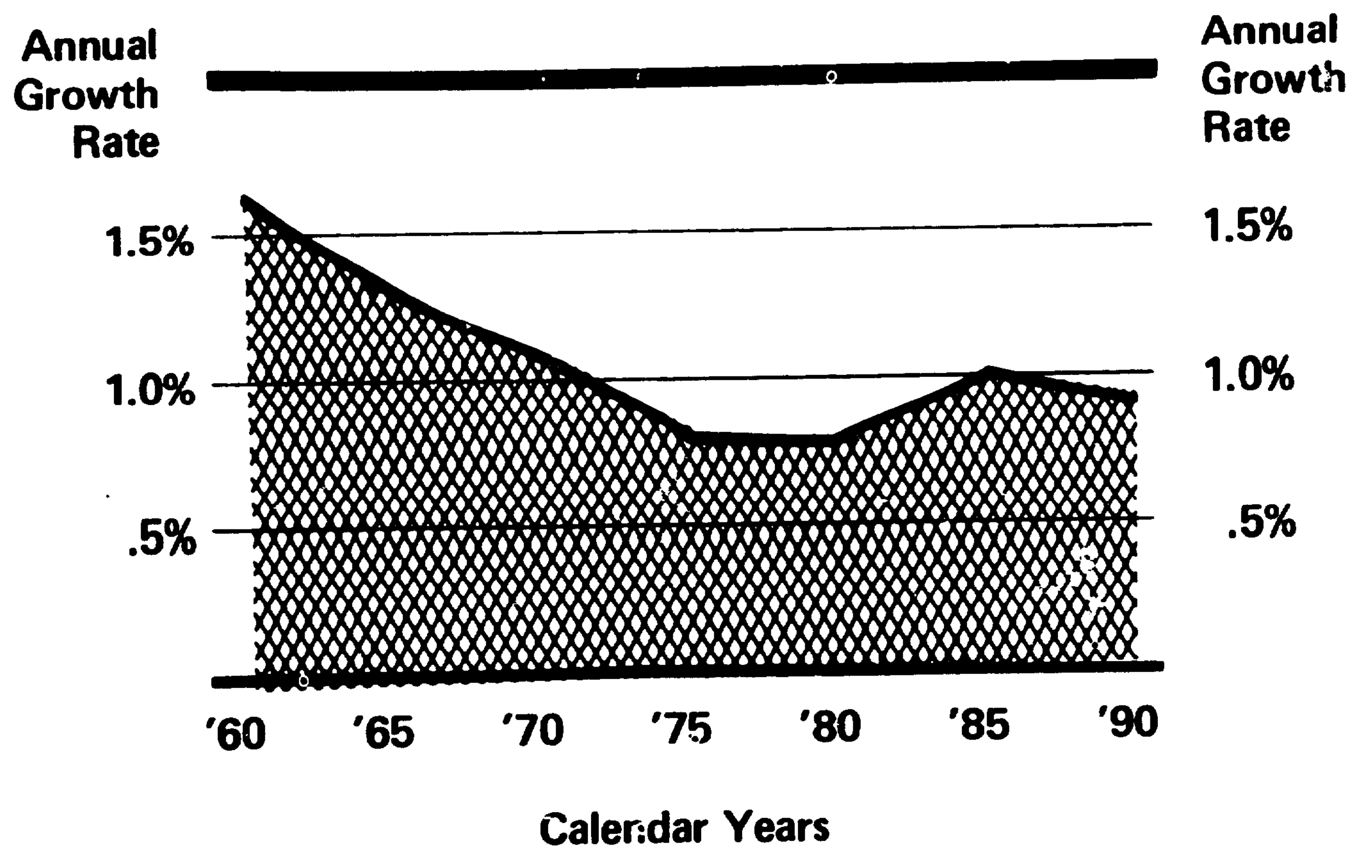
  a compound growth rate of +2.9%

- In the most recent 5 years 1973 – 1977:

  1973 = 12.9 Billion lbs. vs. 1977 = 12.7 Billion lbs. . . .

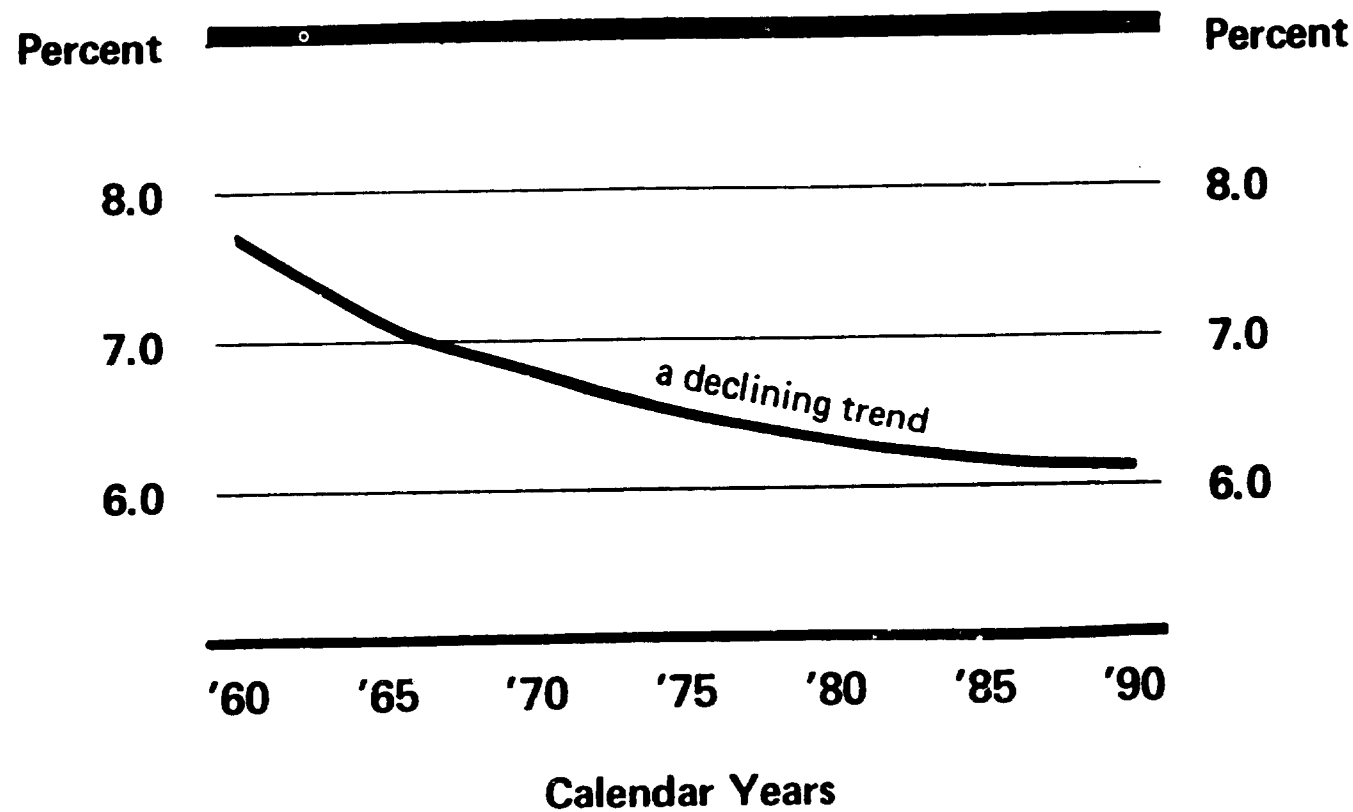
  a compound growth rate of –0.4%

U.S. POPULATION GROWTH RATE



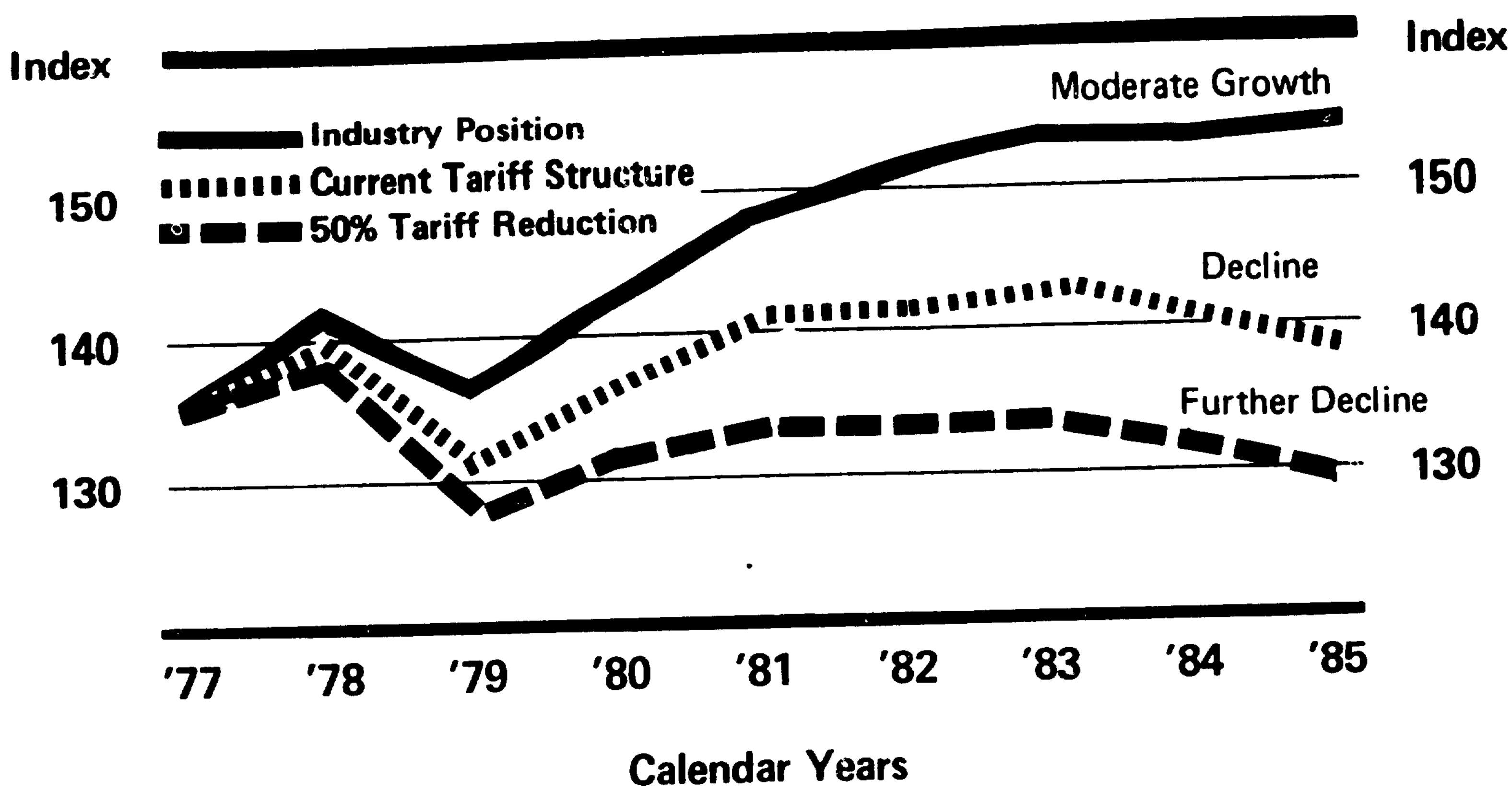
Source: Dept. of Commerce

EXPENDITURES FOR CLOTHING AND SHOES
AS A PERCENTAGE OF DISPOSABLE PERSONAL INCOME

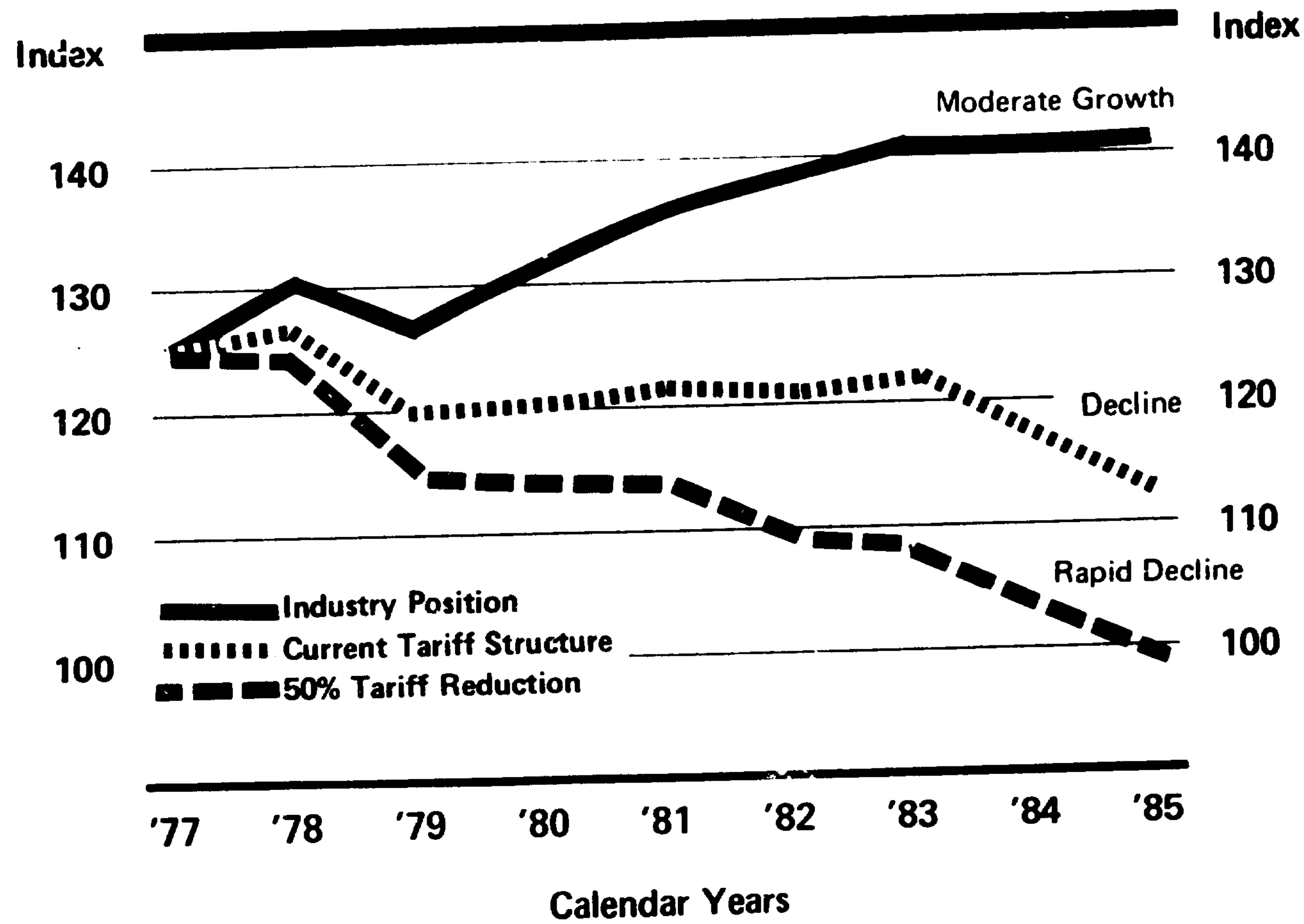


Source: Dept. of Commerce, DRI Forecast

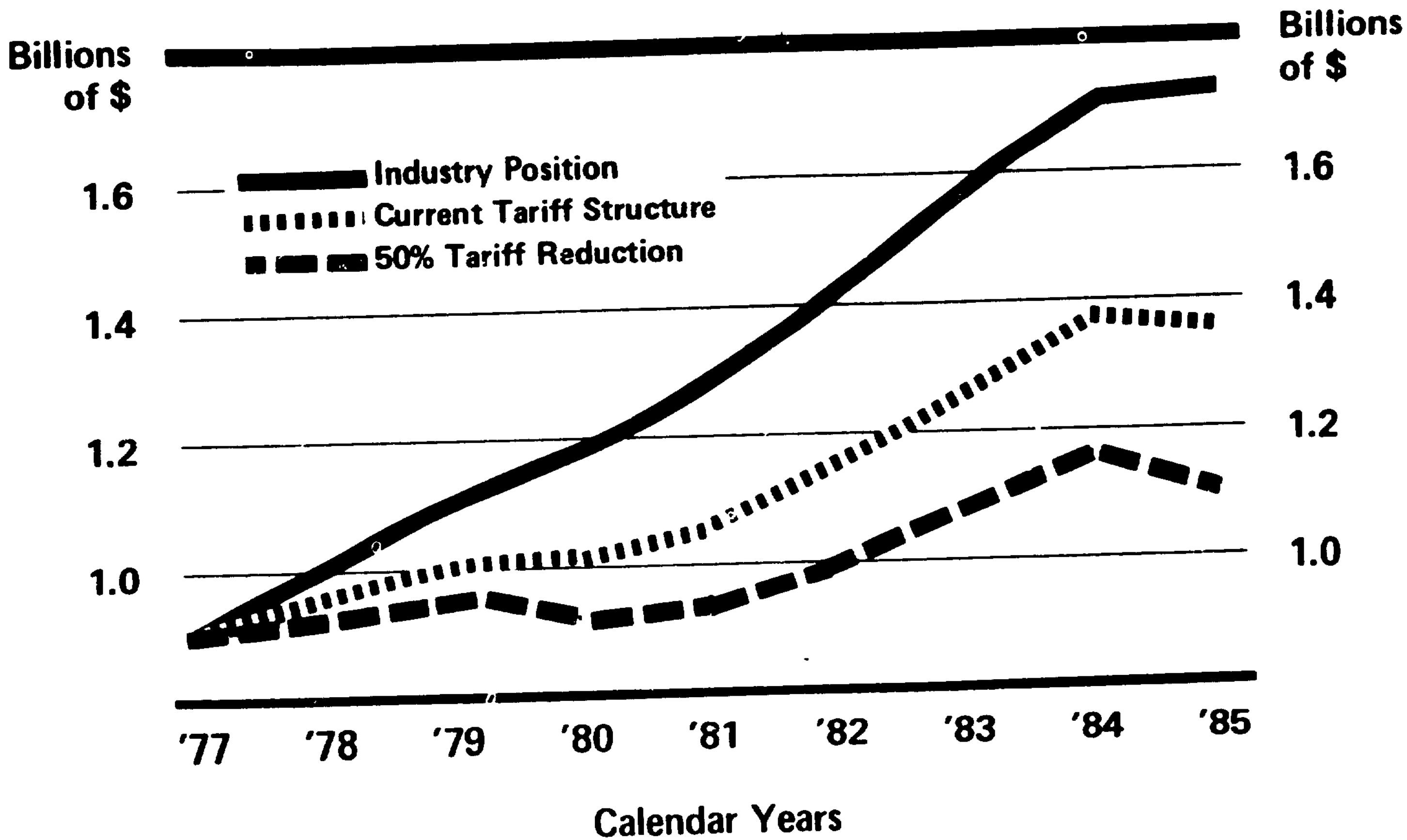
IS THERE AN IMPACT ON U.S. TEXTILE PRODUCTION ?
(1967 = 100)



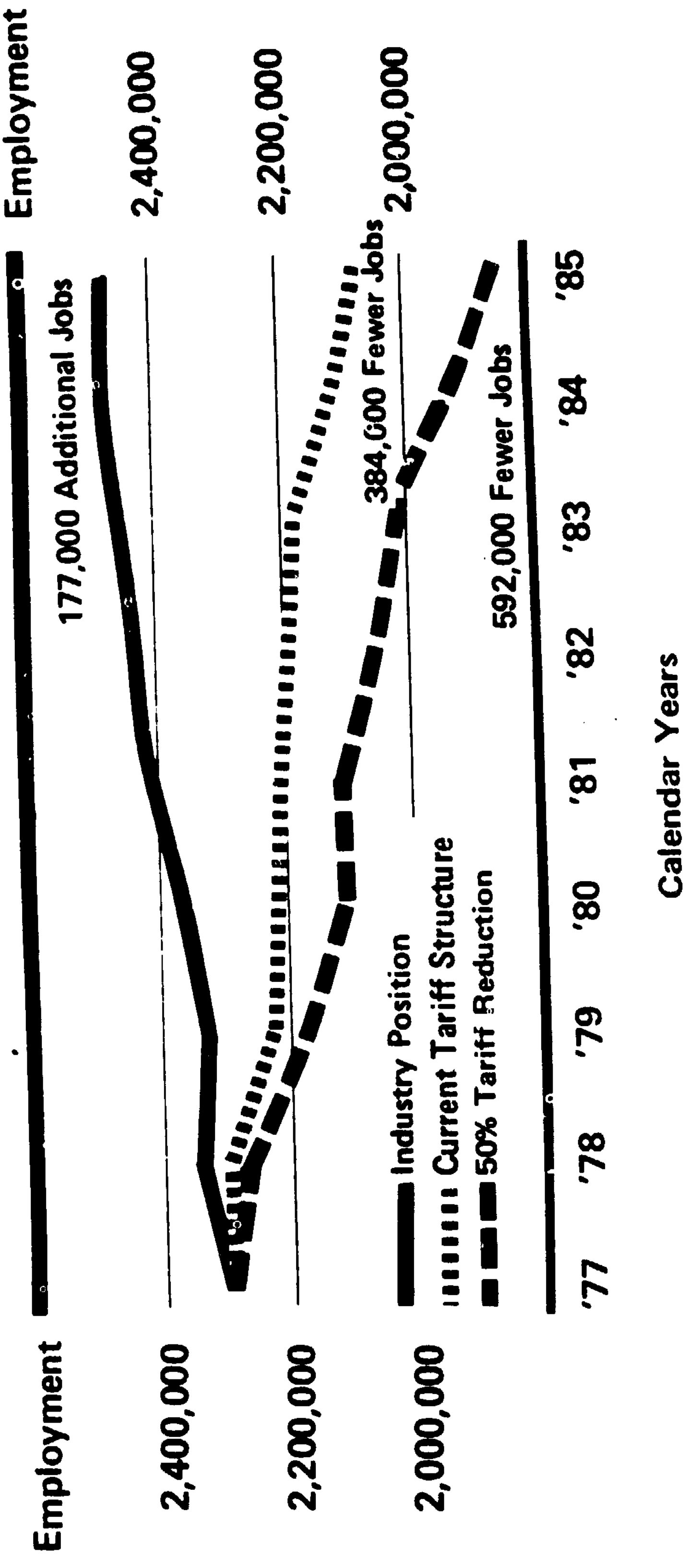
IS THERE AN IMPACT ON APPAREL PRODUCTION ?
(1967 = 100)



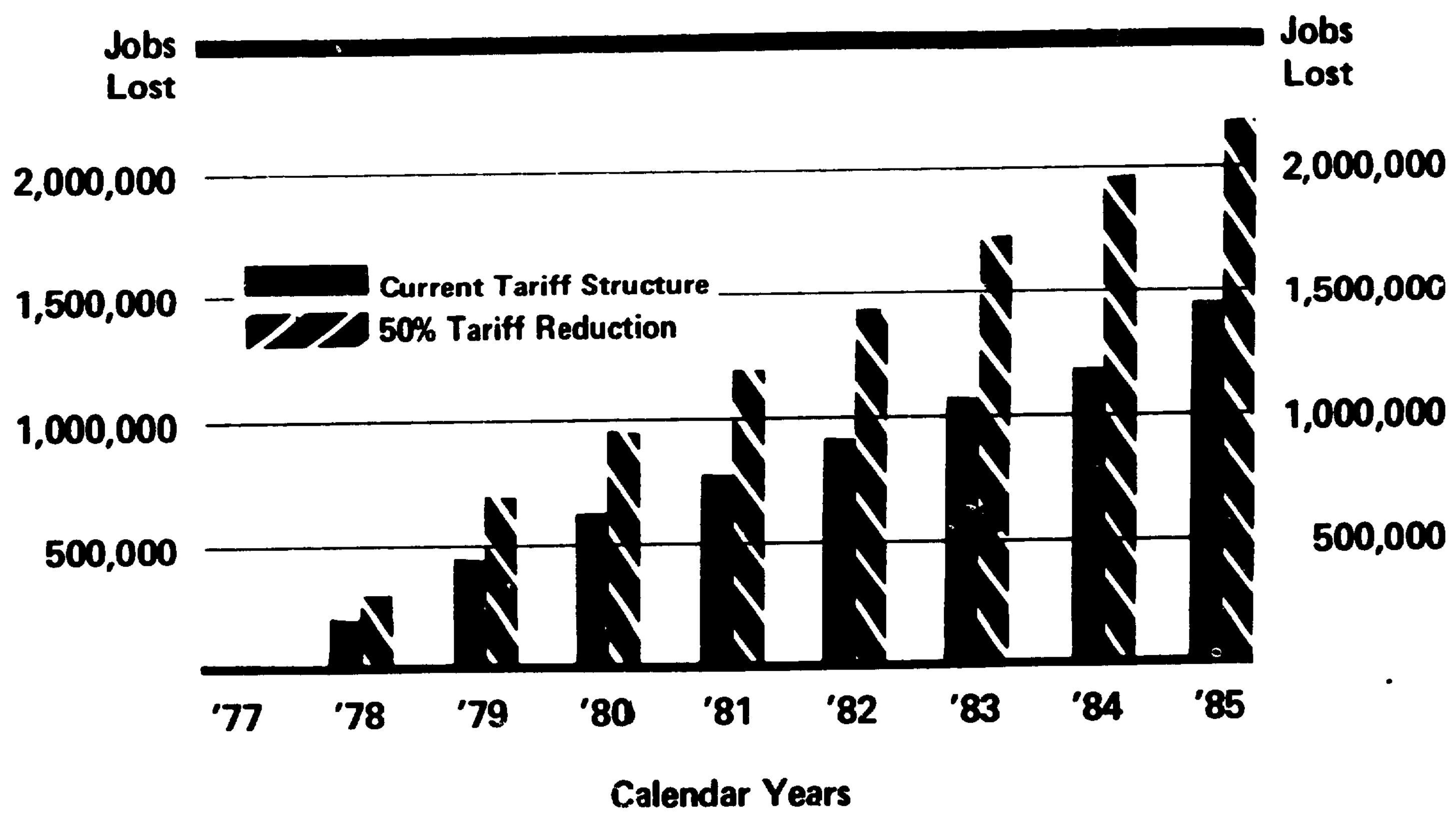
WILL TEXTILE PLANT AND EQUIPMENT EXPENDITURES BE LOWER ?
(Billions of Current Dollars)



WHAT IS THE IMPACT ON TEXTILE AND APPAREL EMPLOYMENT ?

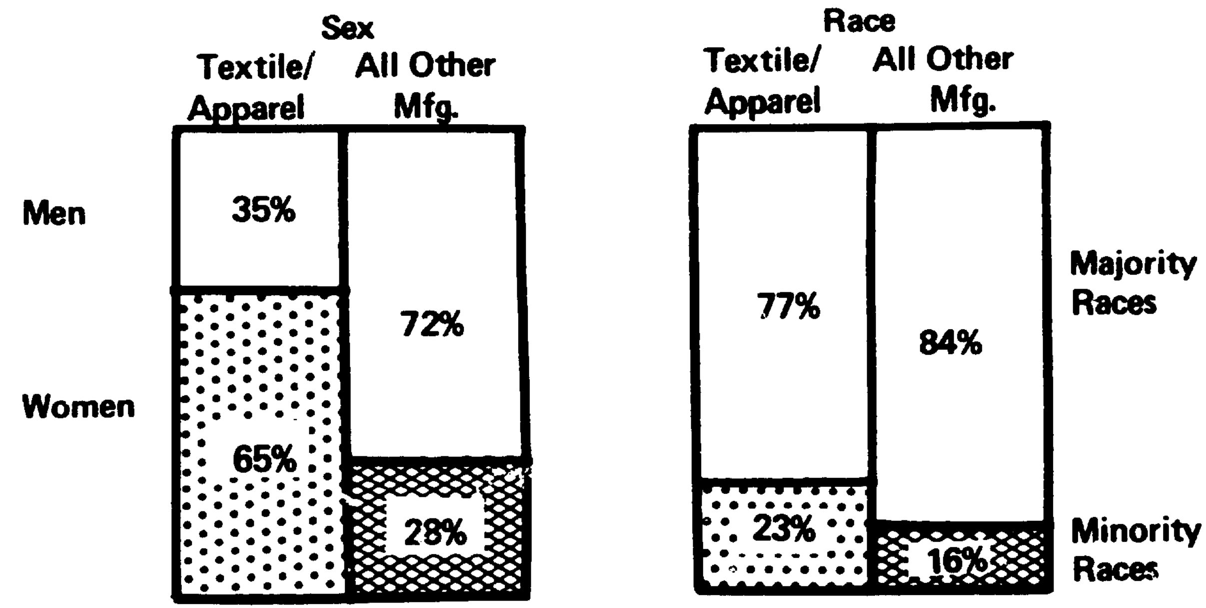


WHAT IS THE IMPACT ON U.S. EMPLOYMENT* ?



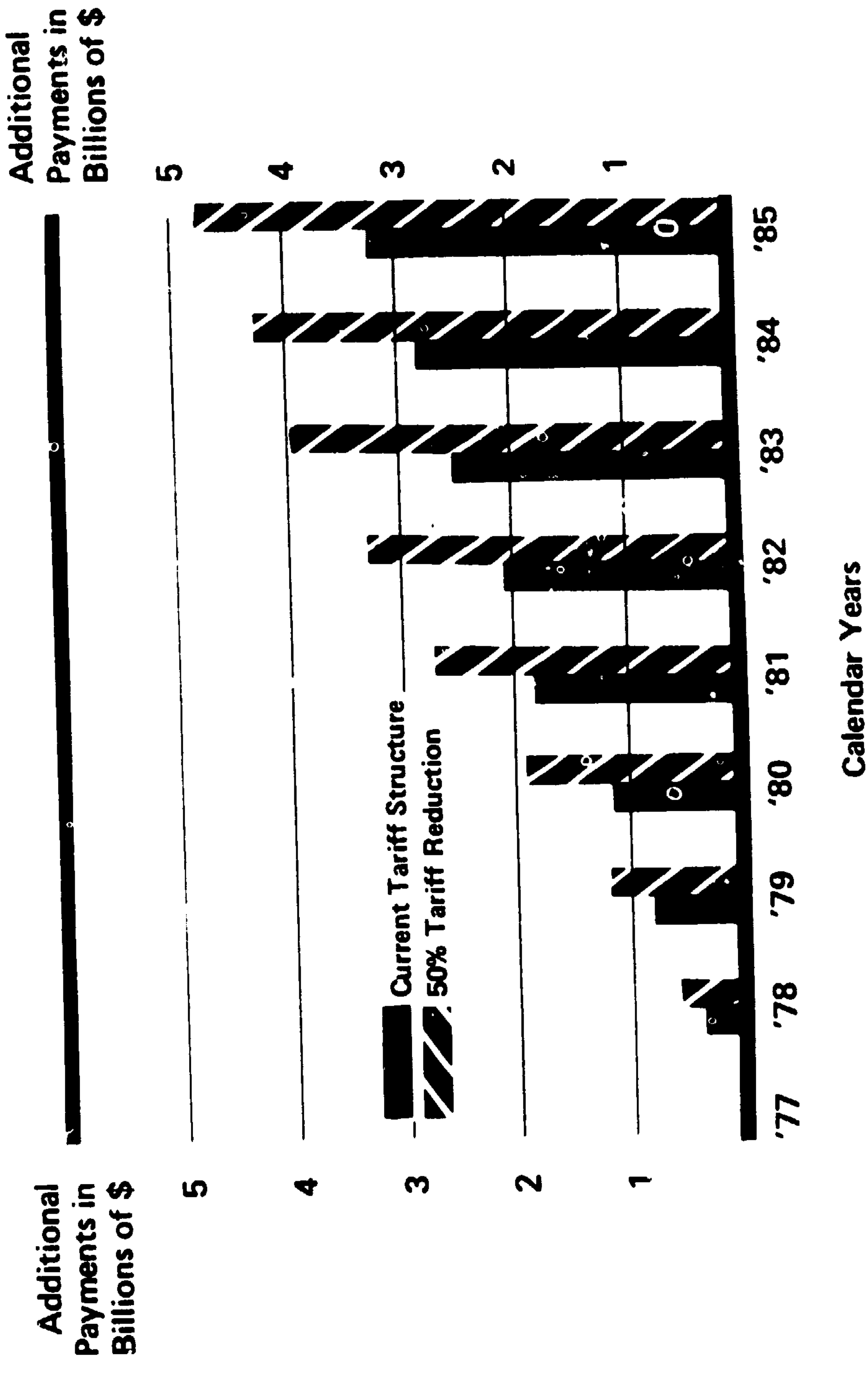
*Non-Agricultural

HOW IMPORTANT IS THE TEXTILE/APPAREL INDUSTRY TO THE ECONOMY ?

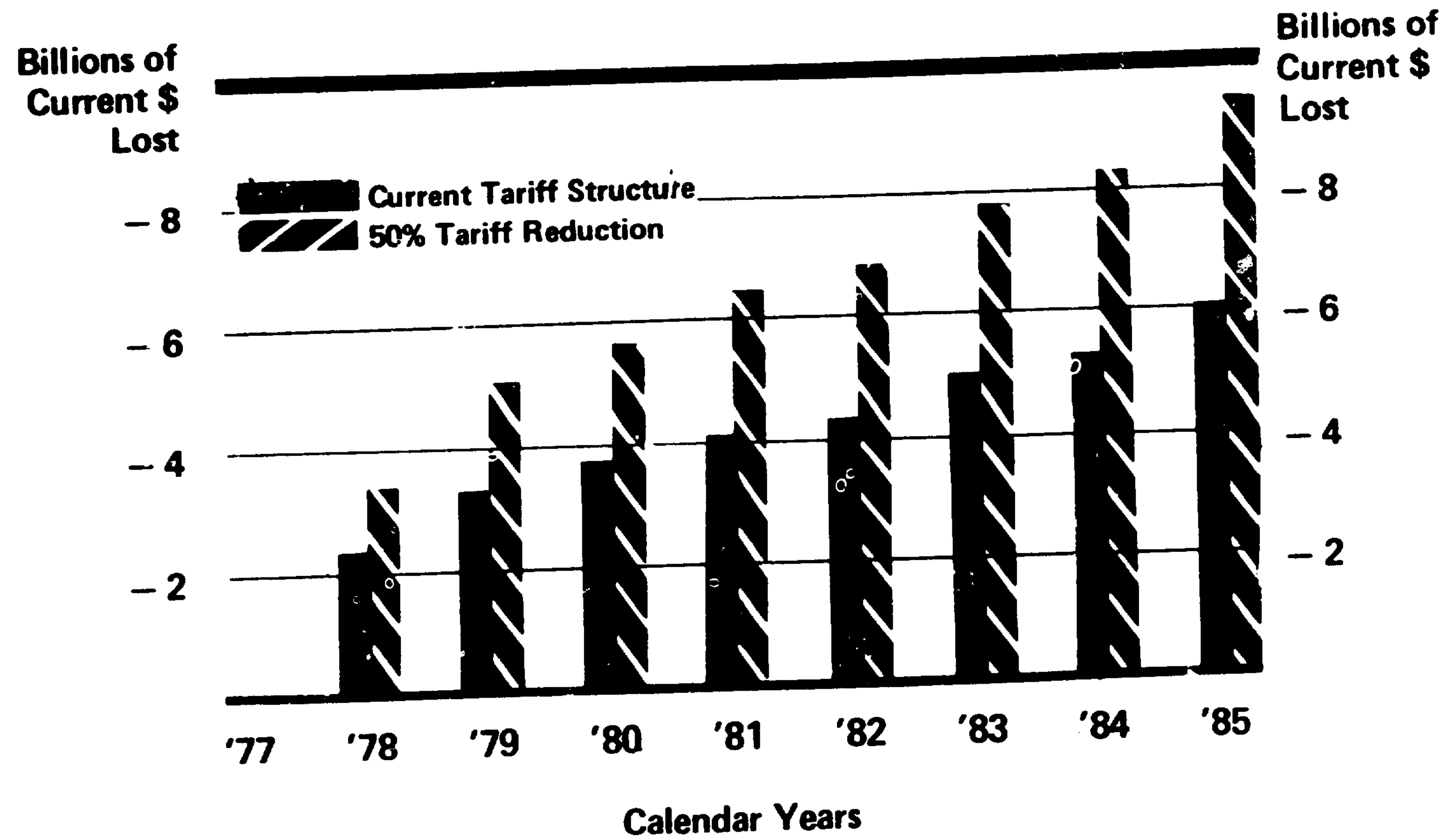


Source: EEO, 1975

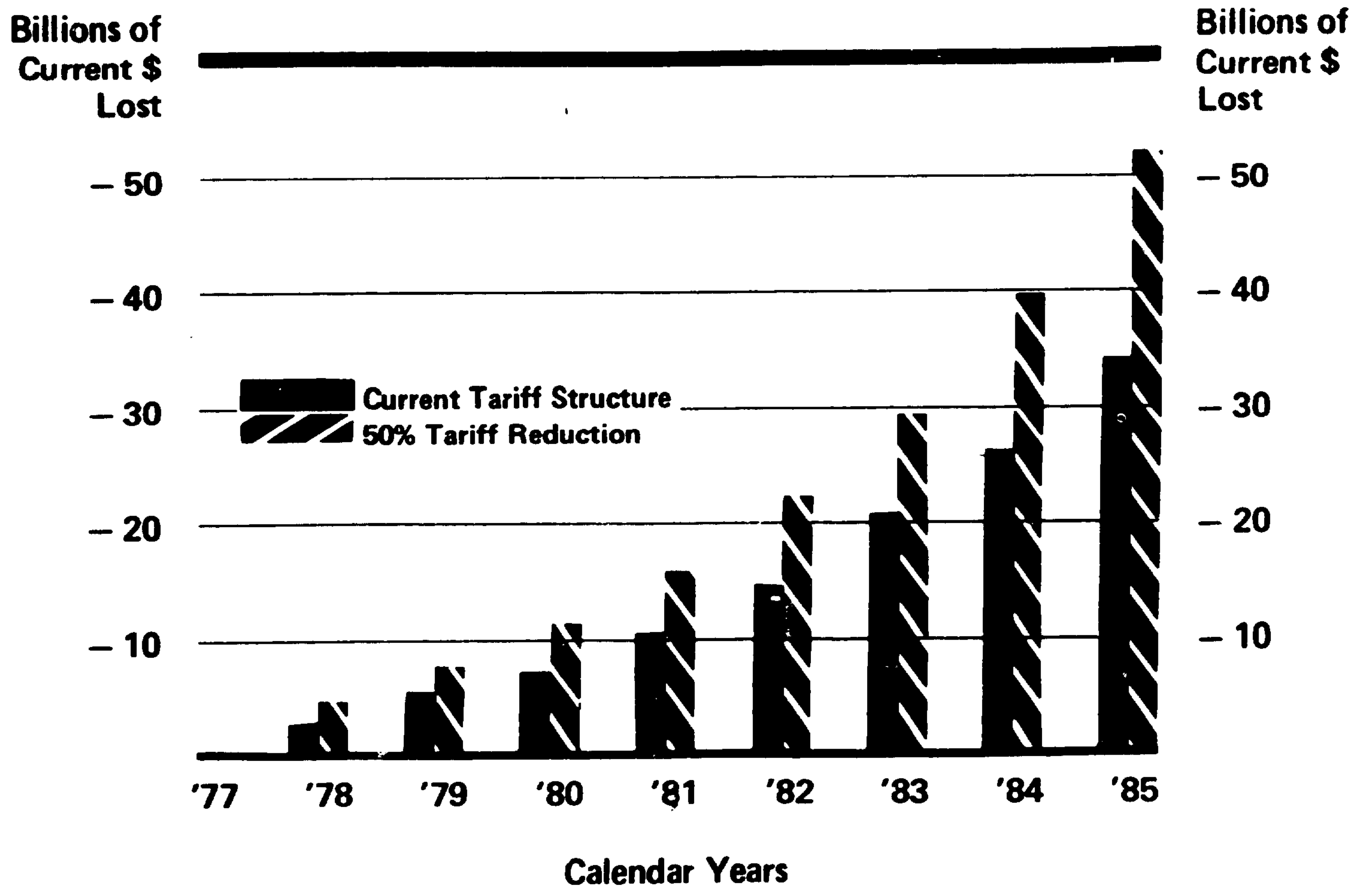
WILL STATE AND LOCAL TRANSFER PAYMENTS GO UP ?

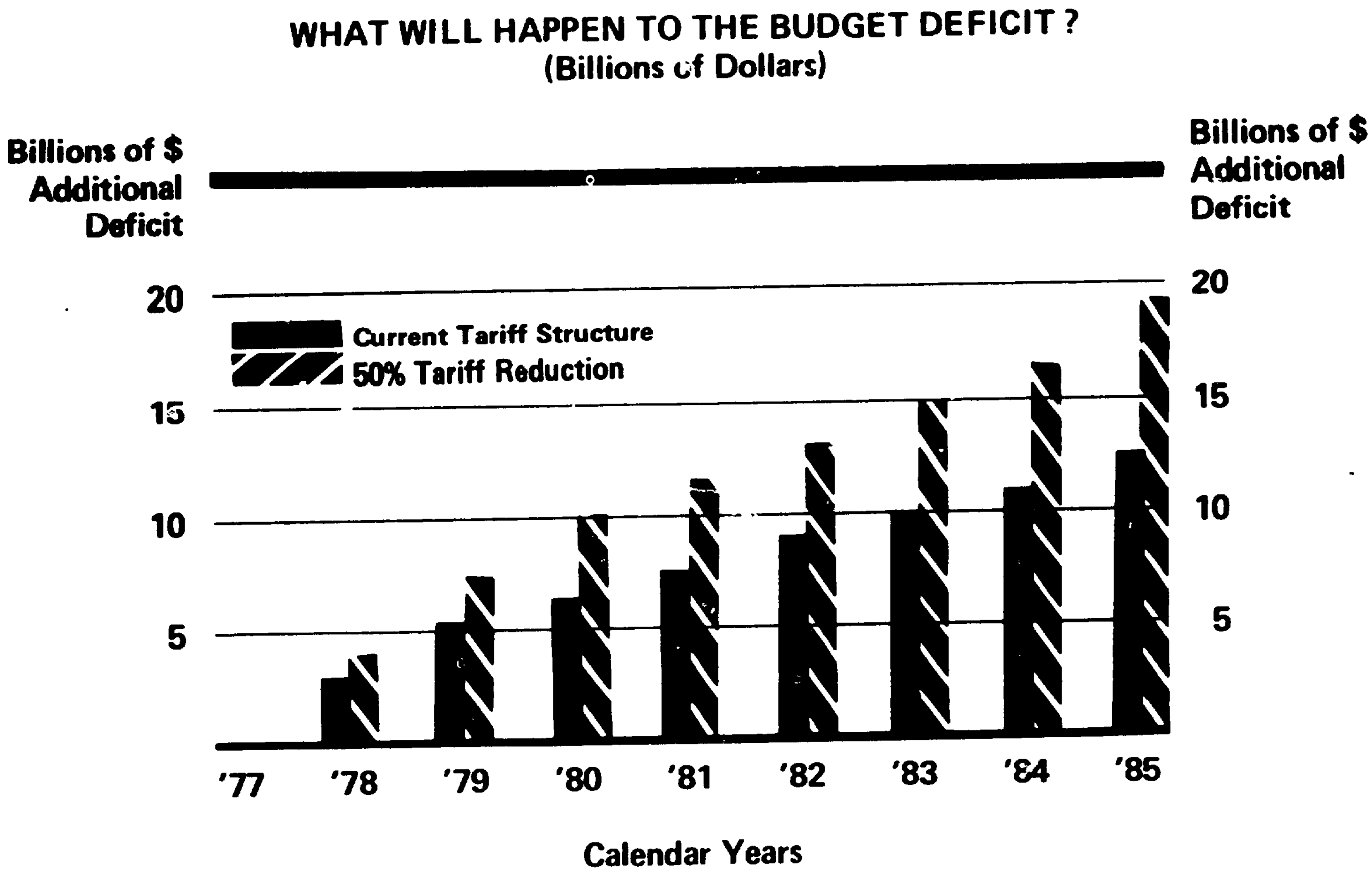


IS THERE AN IMPACT ON CORPORATE PROFITS AFTER TAX ?
(Billions of Current Dollars)

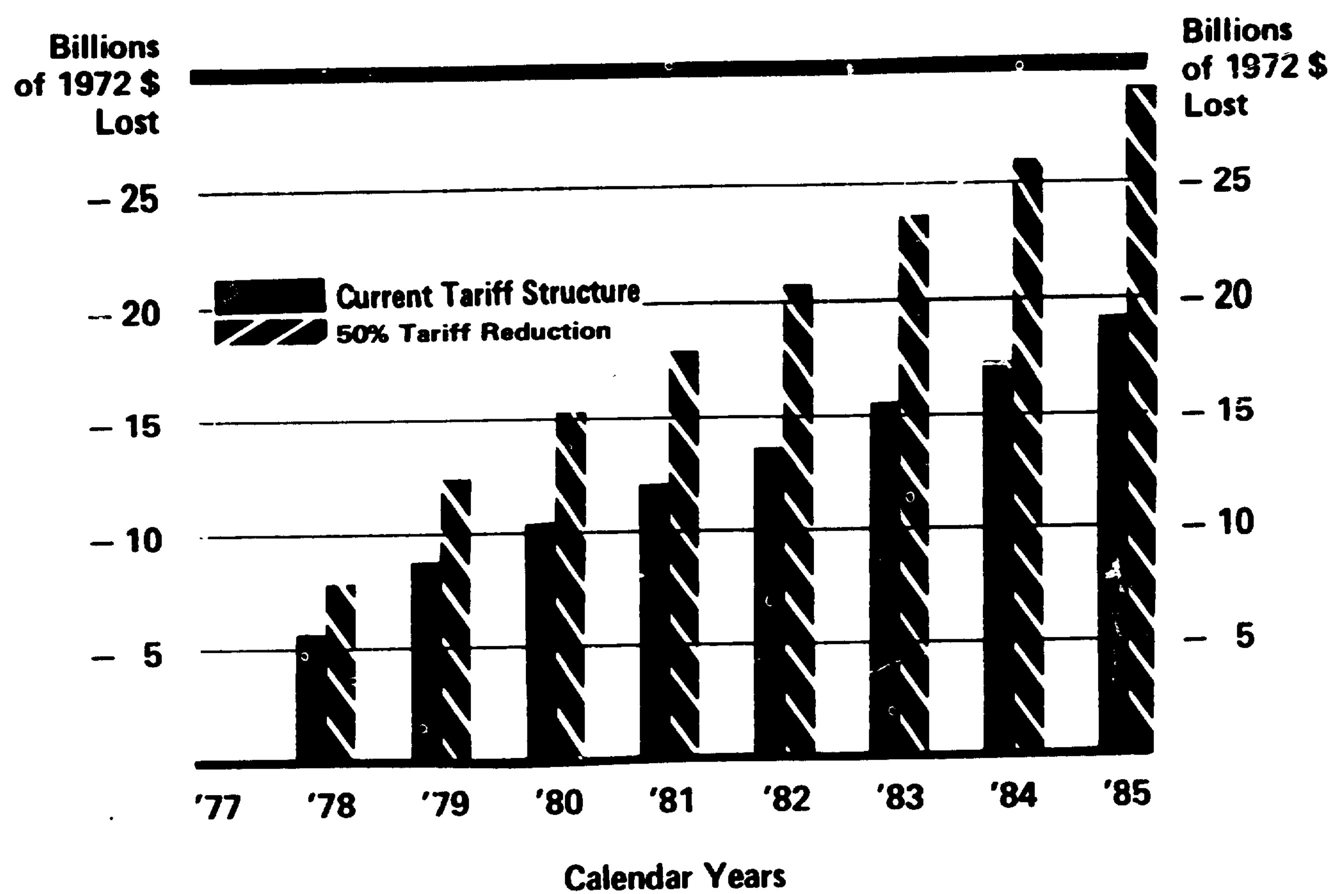


IS THERE AN IMPACT ON TAX RECEIPTS ?




WHAT WILL HAPPEN TO THE BUDGET DEFICIT ?
(Billions of Dollars)
Billions of $ Additional Deficit
20
15
10
5
Current Tariff Structure
50% Tariff Reduction
'77
'78
'79
'80
'81
'82
'83
'84
'85
Calendar Years

WHAT EFFECT IS THERE ON GROSS NATIONAL PRODUCT ?
(Billions of 1972 Dollars)



SUMMARY OF IMPACT ON PRODUCTION

Impact on:	Current Tariff	50% Tariff Reduction
Industry Production*	– 3.6%	– 5.8%
Textile Production	– 9.7%	–15.8%
Apparel Production	– 19.2%	– 29.7%

*All U.S. Industries in total

SUMMARY OF FINDINGS

Impact on:	Current Tariff	50% Tariff Reduction
Total Non-Agricultural Employment	– 1.4 Million	– 2.2 Million
Textile & Apparel Employment	– 384 Thousand	– 592 Thousand
Gross National Product ($ 1972)	– $18.8 Billion	– $29.0 Billion
Tax Receipts	– $34.1 Billion	– $50.9 Billion
U.S. Federal Deficit	– $12.5 Billion	– $18.9 Billion

RECOMMENDATIONS

- Import Growth Restricted to Growth of U.S. Domestic Market
- No Reduction in Textile Tariffs
- Continuously Monitored Global Bilateral Agreements

RAW FIBER EQUIVALENT OF IMPORTS OF MANUFACTURED AND SEMI-MANUFACTURED TEXTILE PRODUCTS (MM Pounds)

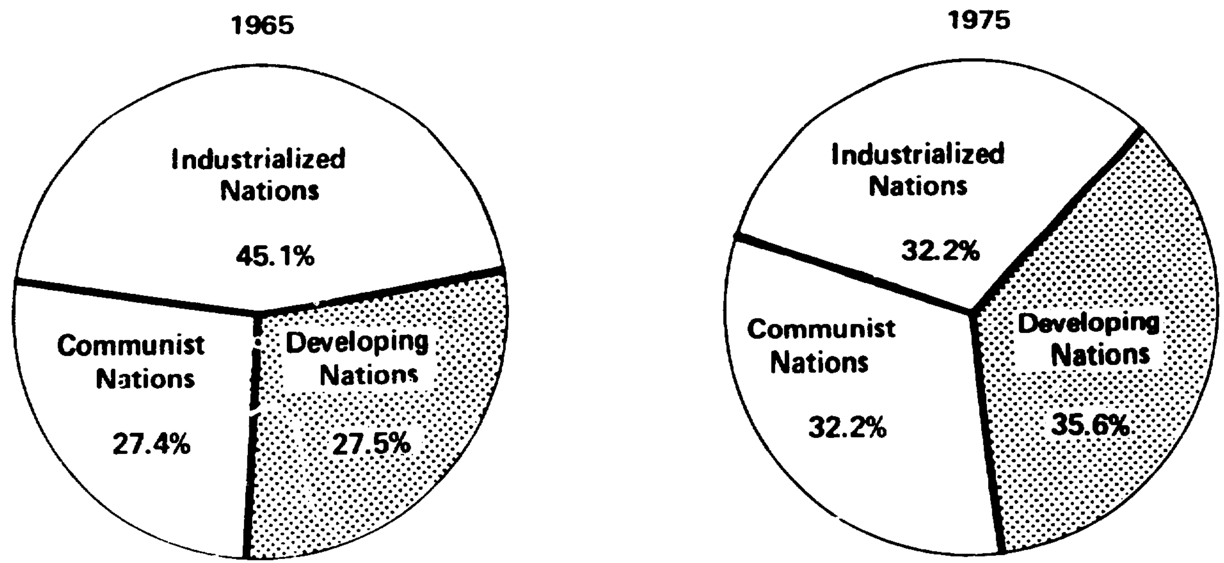
	Annual Average		
	1965-1969	1970-1974	1975-1976
Apparel	242.3	442.5	602.6
Non-Apparel	469.2	569.4	499.5
	711.5	1011.9	1102.1

	Market Share		
	1965-1969	1970-1974	1975-1976
Apparel	34%	44%	55%
Non-Apparel	66%	56%	45%

Source: Textile Organon

ARE NON-QUOTA COUNTRIES A THREAT TO THE U.S. TEXTILE/APPAREL INDUSTRY ?

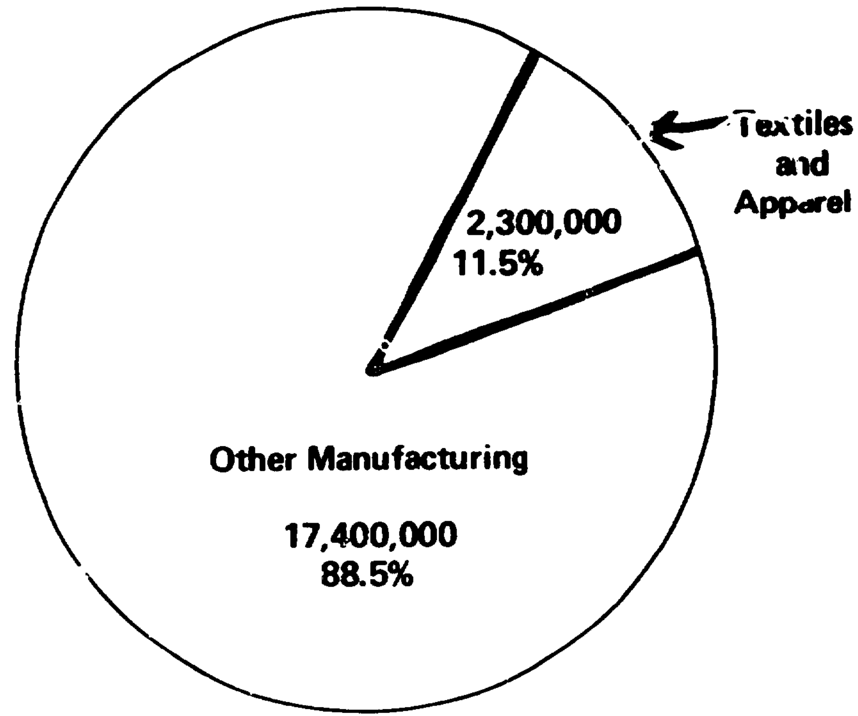
Looms in Place



SOURCE: IFCATI

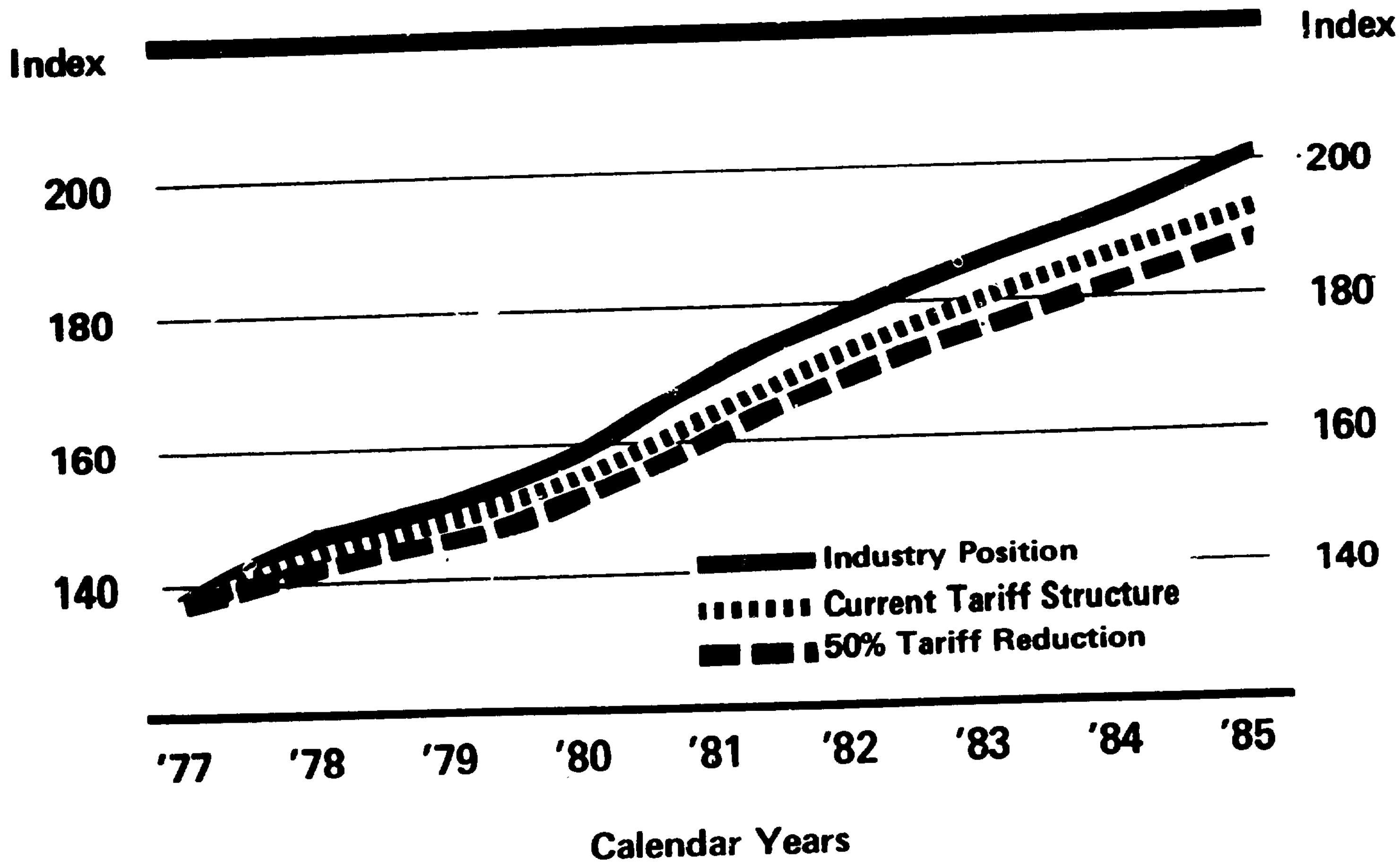
IS THE TEXTILE/APPAREL INDUSTRY A MAJOR EMPLOYER ?

1 OF EVERY 8 MANUFACTURING JOBS IS IN THE TEXTILE/APPAREL INDUSTRY



SOURCE: DEPT. OF LABOR

WHAT IS THE IMPACT ON U.S. INDUSTRIAL PRODUCTION ?
(1967 = 100)



ECONOMIC IMPACT OF IMPORTS ON THE TEXTILE AND APPAREL INDUSTRIES

The following paper describes the major procedures and assumptions used in our recent study of the impact of textile imports on the U.S. economy.

We began by exploring textile imports response to demand levels both here and abroad, the relative prices of foreign and domestic goods, and the overall competitive position of the U.S. in foreign trade markets. Based on this understanding of the forces affecting imports, we then projected the level imports would achieve by 1985. Assuming:

The continuation of MFA and bilateral agreements, holding quota countries to 6¼ growth remain in place.

The recovery of the U.S. and foreign economies develops along the lines discussed in DRI's current long term projections.

The relative price of foreign goods continues to increase due to comparatively higher inflation in the home countries of foreign producers and because of the implications of the current quotas for import pricing and product mix policies.

These assumptions yield a conservative, one that is not overstated, import projection. The reasonableness of the forecasts was checked with reference to the terms and coverage of the current MFA and bilaterals, the estimated growth rates for imports from non-quota countries, and the capacity of direction of the recent EEC textile negotiations and the demonstrated ability of Asian producers to rapidly expand reinforces these projections.

The next step in the analysis was to overlay these import levels on the projections for U.S. textile consumption to derive import's resultant market share. We applied Burlington's projection that the growth of textile consumption in the United states would average 1.5 percent over the forecast horizon. We assumed that all the growth of textile imports would take place in garment form. This assumption is once again supported by the nature of the quota and by foreign producers programs to upgrade the product mix of imports. We assumed the U.S. producers would continue to maintain a presence in the export market; this assumption tends to be generous given the deteriorating competitive position of U.S. textile and apparel producers.

The next step was to generate a base case for the macroeconomy in which imports share of the U.S. market were contained at current levels. This solution of the DRI U.S. Macro Model was then modified to reflect imports achieving the share of the U.S. market implied in the analysis above. The direct impact of this import level was then traced from production and employment in the apparel industry, through the textile industry and on to the industries which supply these sectors. In addition to these direct effects, we also considered the indirect effects of the reduced income of the affected workers on their consumption levels and traced this ripple throughout the economy. The impact displayed on the attached measures of economic performance assumes that the U.S. does not undertake any policy initiatives to offset the effect of this import penetration.

Taken as a whole, we believe these procedures and assumptions are a realistic and defensible basis for the projections shown. While the assumption regarding the growth rate of domestic textile consumption is open to some question, recent experience supports Burlington's assessment as being, if anything, on the liberal side. Attached are detailed computer print outs of our forecasts covering the alternative discussed above.

A=MTEX1011, BASED ON OPTIMBASE
B=BASE1011, BASED ON OPTIMBASE
D=B-A
%=D/B*100

ANNUAL CONSUMPTION AND PRODUCTION OF TEXTILES AND APPAREL GROW AT 1.5%-B
EXISTING TARIFFS IN EFFECT-A

	1977	1978	1979	1980	1981	1982	1983	1984	1985
---------- IMP RTS									
--- REAL GROSS NATIONAL PRODUCT 1972 $									
A	1335.7	1393.7	1431.2	1504.6	1571.9	1635.3	1695.2	1747.4	1798.8
B	1335.9	1399.4	1440.1	1514.9	1585.9	1648.9	1710.8	1764.6	1817.6
D	-0.2	-5.7	-8.9	-10.4	-12.0	-13.6	-15.6	-17.1	-18.8
%	-0.0	-0.4	-0.6	-0.7	-0.8	-0.8	-0.9	-1.0	-1.0
--- GROSS NATIONAL PRODUCT									
A	1884.3	2086.5	2256.8	2494.1	2752.5	3008.3	3268.9	3522.0	3782.7
B	1888.7	2097.3	2278.9	2528.0	2801.4	3076.4	3361.6	3644.4	3942.1
D	-0.4	-10.8	-22.1	-33.9	-48.9	-68.1	-92.7	-122.4	-159.4
%	-0.0	-0.5	-1.0	-1.3	-1.7	-2.2	-2.8	-3.4	-4.0
--- INDUSTRIAL PRODUCTION									
A	1.379	1.440	1.445	1.546	1.646	1.726	1.806	1.872	1.933
B	1.380	1.459	1.475	1.583	1.691	1.777	1.865	1.937	2.006
D	-0.001	-0.019	-0.030	-0.037	-0.044	-0.051	-0.059	-0.066	-0.073
%	-0.1	-1.3	-2.0	-2.3	-2.6	-2.9	-3.2	-3.4	-3.6
--- TEXTILE PRODUCTION									
A	1.365	1.392	1.312	1.362	1.406	1.412	1.426	1.409	1.388
B	1.365	1.420	1.359	1.423	1.482	1.504	1.533	1.532	1.537
D	-0.000	-0.028	-0.047	-0.062	-0.076	-0.092	-0.107	-0.123	-0.149
%	-0.0	-2.0	-3.5	-4.3	-5.1	-6.1	-7.0	-8.0	-9.7
--- APPAREL PRODUCTION									
A	1.260	1.270	1.195	1.208	1.226	1.214	1.207	1.175	1.137
B	1.260	1.311	1.272	1.317	1.364	1.383	1.404	1.405	1.407
D	0.000	-0.041	-0.076	-0.108	-0.138	-0.169	-0.197	-0.230	-0.270
%	0.0	-3.2	-6.0	-8.2	-10.1	-12.2	-14.0	-16.3	-19.2
--- TEXTILE EMPLOYMENT									
A	0.984	0.974	0.949	0.947	0.958	0.951	0.950	0.938	0.922
B	0.984	0.990	0.981	0.991	1.012	1.018	1.026	1.025	1.022
D	-0.000	-0.016	-0.032	-0.044	-0.054	-0.067	-0.076	-0.087	-0.100
%	-0.0	-1.6	-3.2	-4.4	-5.3	-6.6	-7.4	-8.4	-9.8
--- APPAREL EMPLOYMENT									
A	1.305	1.318	1.273	1.256	1.255	1.244	1.236	1.200	1.160
B	1.305	1.344	1.344	1.361	1.390	1.409	1.429	1.439	1.444
D	0.000	-0.032	-0.071	-0.105	-0.135	-0.165	-0.193	-0.239	-0.284
%	0.0	-2.4	-5.3	-7.7	-9.7	-11.7	-13.5	-16.6	-19.6

A=MTEX1011, BASED ON OPTIMBASE
B=BASE1011, BASED ON OPTIMBASE
D=B-A
%=D/B*100

ANNUAL CONSUMPTION AND PRODUCTION OF TEXTILES AND APPAREL GROW AT 1.5%-B
EXISTING TARIFFS IN EFFECT-A

	1977	1978	1979	1980	1981	1982	1983	1984	1985
--- TOTAL EMPLOYMENT									
A	82.112	84.367	85.936	88.165	90.443	92.053	93.717	95.211	96.582
B	82.119	84.594	86.422	88.806	91.226	92.975	94.788	96.445	97.980
D	-0.006	-0.227	-0.486	-0.642	-0.783	-0.922	-1.071	-1.234	-1.398
%	-0.0	-0.3	-0.6	-0.7	-0.9	-1.0	-1.1	-1.3	-1.4
--- PERSONAL TAXES									
A	226.5	243.7	267.2	302.6	332.0	366.0	394.6	427.2	460.9
B	226.5	245.3	270.7	308.2	340.4	378.2	411.7	450.4	491.5
D	-0.0	-1.6	-3.5	-5.5	-8.4	-12.2	-17.1	-23.1	-30.6
%	-0.0	-0.7	-1.3	-1.8	-2.5	-3.2	-4.2	-5.1	-6.2
--- CORPORATE TAXES									
A	69.5	75.3	75.4	87.5	96.8	103.0	108.9	114.6	120.5
B	69.6	76.9	77.6	89.9	99.4	105.7	111.8	117.8	123.9
D	-0.1	-1.6	-2.2	-2.4	-2.6	-2.7	-3.0	-3.1	-3.5
%	-0.1	-2.1	-2.8	-2.7	-2.6	-2.6	-2.7	-2.7	-2.8
--- PROFITS AFTER TAX									
A	103.4	111.8	115.8	134.5	150.8	162.6	174.3	186.0	198.0
B	103.6	114.2	119.2	138.3	154.9	167.0	179.2	191.3	204.1
D	-0.1	-2.4	-3.4	-3.8	-4.1	-4.4	-5.0	-5.3	-6.0
%	-0.1	-2.1	-2.8	-2.7	-2.7	-2.7	-2.8	-2.8	-3.0
--- NET EXPORTS									
A	-8.5	-7.4	-2.5	-1.2	3.2	12.1	11.0	10.8	14.8
B	-8.5	-7.6	-2.2	-0.2	4.2	12.9	11.2	10.1	13.4
D	0.0	0.2	-0.3	-1.0	-1.0	-0.8	-0.2	0.7	1.4
%	-0.1	-2.5	12.7	393.8	-24.0	-6.3	-1.6	6.6	10.4
--- FEDERAL DEFICIT									
A	-44.9	-47.2	-51.7	-31.2	-17.0	-13.1	-14.3	-16.4	-17.8
B	-44.8	-44.0	-46.4	-24.7	-9.5	-4.5	-4.4	-5.3	-5.4
D	-0.1	-3.2	-5.3	-6.5	-7.5	-8.7	-9.9	-11.0	-12.5
%	0.3	7.3	11.4	26.1	79.2	194.6	224.6	207.9	231.2
--- EXCHANGE RATE									
A	0.851	0.867	0.882	0.879	0.878	0.879	0.883	0.889	0.896
B	0.851	0.867	0.885	0.885	0.888	0.894	0.901	0.910	0.919
D	0.000	0.000	-0.002	-0.006	-0.011	-0.014	-0.018	-0.022	-0.024
%	0.0	0.0	-0.3	-0.7	-1.2	-1.6	-2.1	-2.4	-2.6

A=MTEX1011, BASED ON OPTIMBASE
B=BASE1011, BASED ON OPTIMBASE
D=B-A
%=D/B*100

ANNUAL CONSUMPTION AND PRODUCTION OF
TEXTILES AND APPAREL GROW AT 1.5%-B
EXISTING TARIFFS IN EFFECT-A

--- INVESTMENT IN PLANT AND EQUIPMENT - TEXTILES

	1977	1978	1979	1980	1981	1982	1983	1984	1985
A	0.91	0.95	1.00	1.01	1.07	1.16	1.27	1.37	1.36
B	0.91	1.00	1.11	1.17	1.28	1.41	1.56	1.70	1.74
D	-0.00	-0.05	-0.11	-0.16	-0.21	-0.25	-0.29	-0.33	-0.38
%	-0.0	-4.9	-10.0	-13.9	-16.4	-17.8	-18.7	-19.4	-21.9

--- TRANSFER PAYMENTS

	1977	1978	1979	1980	1981	1982	1983	1984	1985
A	198.7	218.2	241.2	262.8	286.0	312.0	338.8	366.7	395.9
B	198.7	217.7	240.4	262.0	285.4	311.9	339.7	369.0	400.2
D	0.0	0.5	0.8	0.8	0.6	0.0	-0.9	-2.3	-4.3
%	0.0	0.2	0.3	0.3	0.2	0.0	-0.3	-0.6	-1.1

--- PERSONAL TRANSFER PAYMENTS STATE AND LOCAL GOVERNMENT

	1977	1978	1979	1980	1981	1982	1983	1984	1985
A	28.2	31.4	35.2	38.5	42.1	46.1	50.2	54.3	58.7
B	28.2	31.1	34.4	37.3	40.4	44.0	47.6	51.5	55.6
D	0.0	0.4	0.8	1.2	1.8	2.1	2.5	2.8	3.2
%	0.1	1.2	2.2	3.3	4.3	4.8	5.3	5.5	5.7

A=NOTAR1011, BASED ON OPTIMBASE
B=BASE1011, BASED ON OPTIMBASE
D=B-A
%=D/B*100

ANNUAL CONSUMPTION AND PRODUCTION OF
TEXTILES AND APPAREL GROW AT 1.5%-B
EXISTING TARIFFS ARE REDUCED BY 50%-A

	1977	1978	1979	1980	1981	1982	1983	1984	1985
---------- IMPORTS									
--- REAL GROSS NATIONAL PRODUCT 1972 $									
A	1335.7	1391.7	1426.6	1499.7	1568.1	1628.4	1687.2	1739.7	1788.6
B	1335.9	1399.4	1439.1	1514.9	1585.9	1648.9	1710.8	1764.6	1817.6
D	-0.2	-7.8	-12.5	-15.2	-17.8	-20.5	-23.6	-25.9	-29.0
%	-0.0	-0.6	- 0.9	- 1.0	- 1.1	- 1.2	- 1.4	- 1.5	- 1.6
--- GROSS NATIONAL PRODUCT									
A	1888.3	2082.7	2247.7	2478.7	2729.0	2974.9	3223.0	3461.5	3703.1
B	1888.7	2097.3	2278.9	2528.0	2801.4	3076.4	3361.6	3644.4	3942.1
D	-0.4	-14.6	-31.2	-49.3	-72.4	-101.4	-138.6	-182.8	-239.0
%	-0.0	- 0.7	- 1.4	- 1.9	- 2.6	- 3.3	- 4.1	- 5.0	- 6.1
--- INDUSTRIAL PRODUCTION									
A	1.379	1.432	1.431	1.526	1.622	1.697	1.773	1.835	1.891
B	1.380	1.459	1.475	1.583	1.691	1.777	1.865	1.937	2.006
D	-0.001	-0.027	-0.044	-0.057	-0.068	-0.080	-0.092	-0.103	-0.116
%	-0.1	-1.8	-3.0	-3.6	-4.0	-4.5	-4.9	-5.3	-5.8
--- TEXTILE PRODUCTION									
A	1.365	1.377	1.283	1.321	1.355	1.350	1.354	1.325	1.294
B	1.365	1.420	1.359	1.423	1.482	1.504	1.533	1.532	1.537
D	-0.000	-0.044	-0.076	-0.103	-0.127	-0.154	-0.179	-0.207	-0.243
%	-0.0	-3.1	-5.6	-7.2	-8.6	-10.2	-11.7	-13.5	-15.8
--- APPAREL PRODUCTION									
A	1.260	1.247	1.152	1.146	1.145	1.116	1.092	1.043	0.989
B	1.260	1.311	1.272	1.317	1.364	1.383	1.404	1.405	1.407
D	0.000	-0.064	-0.120	-0.171	-0.219	-0.267	-0.312	-0.362	-0.418
%	0.0	-4.9	-9.4	-13.0	-16.0	-19.3	-22.2	-25.7	-29.7
--- TEXTILE EMPLOYMENT									
A	0.984	0.967	0.933	0.923	0.929	0.915	0.907	0.888	0.864
B	0.984	0.990	0.981	0.991	1.012	1.018	1.026	1.025	1.022
D	-0.000	-0.023	-0.048	-0.068	-0.084	-0.103	-0.119	-0.137	-0.158
%	-0.0	-2.3	-4.9	-6.8	-8.3	-10.1	-11.6	-13.4	-15.5
--- APPAREL EMPLOYMENT									
A	1.305	1.302	1.235	1.197	1.177	1.148	1.122	1.068	1.010
B	1.305	1.349	1.344	1.361	1.390	1.409	1.429	1.439	1.444
D	0.000	-0.048	-0.109	-0.163	-0.213	-0.261	-0.307	-0.371	-0.434
%	0.0	-3.5	-8.1	-12.0	-15.3	-18.5	-21.5	-25.8	-30.1

A=NOTAR1011, BASED ON OPTIMBASE
B=BASE1011, BASED ON OPTIMBASE
D=B-A
%=D/B*100

ANNUAL CONSUMPTION AND PRODUCTION OF TEXTILES AND APPAREL GROW AT 1.5%-B
EXISTING TARIFFS ARE REDUCED BY 50%-A

	1977	1978	1979	1980	1981	1982	1983	1984	1985
--- TOTAL EMPLOYMENT									
A	82.112	84.278	85.712	87.834	90.016	91.541	93.112	94.522	95.798
B	82.119	84.594	86.422	88.806	91.226	92.975	94.788	96.445	97.980
D	-0.006	-0.316	-0.710	-0.973	-1.210	-1.434	-1.676	-1.923	-2.182
%	-0.0	-0.4	-0.8	-1.1	-1.3	-1.5	-1.8	-2.0	-2.2
--- PERSONAL TAXES									
A	226.5	243.1	265.8	300.2	328.1	360.2	386.4	416.2	446.0
B	226.5	245.3	270.7	308.2	340.4	378.2	411.7	450.4	491.5
D	-0.0	-2.2	-4.9	-8.0	-12.3	-18.0	-25.3	-34.2	-45.5
%	-0.0	-0.9	-1.8	-2.6	-3.6	-4.8	-6.1	-7.6	-9.3
--- CORPORATE TAXES									
A	69.5	74.7	74.4	86.2	95.4	101.5	107.2	113.0	118.5
B	69.6	76.9	77.6	89.9	99.4	105.7	111.8	117.8	123.9
D	-0.1	-2.3	-3.1	-3.7	-4.0	-4.2	-4.6	-4.8	-5.4
%	-0.1	-2.9	-4.1	-4.1	-4.0	-4.0	-4.1	-4.1	-4.4
--- PROFITS AFTER TAX									
A	103.4	110.9	114.4	132.6	148.5	160.1	171.5	183.1	194.7
B	103.6	114.2	119.2	138.3	154.9	167.0	179.2	191.3	204.1
D	-0.1	-3.4	-4.9	-5.7	-6.4	-6.9	-7.7	-8.2	-9.4
%	-0.1	-2.9	-4.1	-4.1	-4.1	-4.1	-4.3	-4.3	-4.6
--- NET EXPORTS									
A	-8.5	-7.2	-2.4	-1.3	2.9	12.0	11.1	11.2	16.0
B	-8.5	-7.6	-2.2	-0.2	4.2	12.9	11.2	10.1	13.4
D	0.0	0.4	-0.2	-1.1	-1.3	-0.9	-0.1	1.1	2.5
%	-0.1	-5.5	8.5	445.9	-30.4	-7.1	-0.7	11.0	18.9
--- FEDERAL DEFICIT									
A	-44.9	-48.3	-53.8	-34.2	-20.8	-17.6	-19.4	-21.9	-24.3
B	-44.8	-44.0	-46.4	-24.7	-9.5	-4.5	-4.4	-5.3	-5.4
D	-0.1	-4.3	-7.4	-9.5	-11.3	-13.1	-15.0	-16.6	-18.9
%	0.3	9.9	16.0	38.4	118.7	293.5	338.7	311.2	350.3
--- EXCHANGE RATE									
A	0.851	0.867	0.882	0.879	0.878	0.879	0.883	0.889	0.896
B	0.851	0.867	0.885	0.885	0.888	0.894	0.901	0.910	0.919
D	0.000	0.000	-0.002	-0.006	-0.011	-0.014	-0.018	-0.022	-0.024
%	0.0	0.0	-0.3	-0.7	-1.2	-1.6	-2.1	-2.4	-2.6

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A=NOTAR1011, BASED ON OPTIMBASE
B=BASE1011, BASED ON OPTIMBASE
D=B-A
%=D/B*100

ANNUAL CONSUMPTION AND PRODUCTION OF TEXTILES AND APPAREL GROW AT [illegible] EXISTING TARIFFS ARE REDUCED BY [illegible]

	1977	1978	1979	1980	1981	1982	1983	198[illegible]	[illegible]
--- INVESTMENT IN PLANT AND EQUIPMENT - TEXTILES									
A	0.91	0.93	0.95	0.92	0.95	1.01	1.09	1.17	[illegible]
B	0.91	1.00	1.11	1.17	1.28	1.41	1.56	[illegible]	[illegible]
D	-0.[illegible]	-0.07	-0.16	-0.25	-0.33	-0.40	-0.47	[illegible]	[illegible]
%	- 0.0	- 7.3	-14.8	-21.4	-26.0	-28.6	-30.1	-31.[illegible]	[illegible]
--- TRANSFER PAYMENTS									
A	[illegible]	[illegible]	241.7	263.3	286.4	312.1	338.5	[illegible]	
B	[illegible]	217.7	240.4	262.0	285.4	311.9	339.7	[illegible]	
D	[illegible]	0.8	1.3	1.2	1.0	0.1	- 1.2	- [illegible]	- [illegible]
%	0.0	0.4	0.5	0.5	0.4	0.0	- 0.4	- [illegible]	- [illegible]
--- PERSONAL TRANSFER PAYMENTS STATE AND LOCAL GOVERNMENT									
A	28.[illegible]	31.7	35.7	39.2	43.1	47.3	51.5	[illegible]	[illegible]
B	28.[illegible]	31.1	34.4	37.3	40.4	44.0	47.6	[illegible]	[illegible]
D	0.0	0.6	1.2	1.9	2.7	3.3	3.9	[illegible]	[illegible]
%	0.1	2.0	3.6	5.1	6.8	7.5	8.1	8.[illegible]	[illegible]

STATEMENT OF BURLINGTON INDUSTRIES, INC.

Burlington Industries, Inc. appreciates the opportunity to present its views to the Sub-committee on Trade of the Ways & Means Committee of the House of Representatives with respect to the United States trade deficit, on the causes and consequences of which the Sub-committee has hearings underway.

Burlington Industries is the largest textile employer in the United States with 61,000 employees in 23 states. We feel a deep responsibility to convey to you and the Congress the startling results of a study recently completed on the impact of imports in the textile/apparel sector of the United States economy. This study projects that during the period 1978 to 1985 the growing textile/apparel imports, and associated trade deficits, will cause a loss of almost 600,000 jobs in the textile/apparel industry (approximately 25% of existing industry employment). Even worse, there will be a further ripple effect resulting in the loss of 1.6 million jobs in other sectors of the economy. Thus, by 1985, the job loss from textile and apparel imports could reach to 2.2 million, over and above the loss in jobs already experienced.

Can the United States afford this sacrifice? We submit - NO! Action must be taken now to prevent these disastrous consequences.

As you are aware, there are approximately 2.3 million workers in the textile and apparel industries in the United States. The industry is the largest manufacturing employer in this country, accounting for one out of every eight manufacturing jobs. Imports which now claim over 10% of the U.S. textile and apparel market have already wiped out an estimated 400,000 domestic textile/apparel workers. In 1976 the net trade deficit in the textile and apparel industry was $2.8 billion, one-third of the total U.S. trade deficit for 1976. The 1977 trade deficit in the textile/apparel industry is running ahead of that for 1976 and the overall trade deficit is now running at an annual level of over $30 billion.

Burlington Industries commissioned Data Resources, Inc., a leading economic consulting firm, to forecast and analyze the impact of expected import penetration on the U.S. textile and apparel industries and, in turn, on the U.S. economy by 1985. It is important to keep in mind that the increases in imports and in the textile/apparel trade deficit which have been projected will take place in spite of the current Multi-Fiber Arrangement (an international agreement entered into under aegis of the General Agreement on Tariffs and Trade which is intended to provide the basis for the orderly marketing of textiles and apparel on an international scale) because:

> The Multi-Fiber Arrangement (MFA) standard for import growth of 6% per year is far in excess of our industry's projected growth of 1.5% per year for the domestic market, and . . .
>
> The MFA does not cover some 30% of our current textile imports, much of which come from developing countries. These countries not covered by any bilateral agreement under the MFA will continue to increase their capacity at faster rates than other nations. In 1965, for example, developing nations had 27% of world loom capacity and by 1975 had 36% of world loom capacity. The product of this increased capacity is destined largely for export and the United States has always been a target market.

Assuming continuation of the current growth rate of imports and existing tariff schedules, we project that textile/apparel imports will double in volume, expanding from the 1.2 billion pound level achieved in 1976 to 2.4 billion pounds by 1985. This means that imports will grow from a 10% share of the U.S. textile market to over 18% in 1985. However, in the apparel market alone, imports will expand from a 13% market share to over 30%. Since this growth trend will be at a rate well above that of U.S. market growth, the U.S. textile/apparel industry will lose 384,000 more jobs by 1985. In turn, these direct losses would create a further "ripple" effect in the economy which will cause an additional loss of 1,000,000 jobs - or a grand total loss of nearly 1.4 million jobs. The economic effects of these job losses would be devastating.

But this is not the whole story. Unless textile and apparel are exempted from tariff reductions in the Tokyo Round of multilateral trade negotiations, textile and apparel tariffs could be cut by at least 50%. Should this step be taken, imports would mushroom to a level of over 3 billion pounds by 1985 and account for over 22% of the U.S. textile market. In the apparel garment area, they would have captured nearly 40% of the market.

Assuming this cut in tariffs, the job loss would reach almost 600,000 jobs in the textile/apparel industries by 1985. The "ripple" effect job loss would add another 1.6 million jobs, or a grand total effect of 2.2 million jobs lost. Our country cannot afford these sacrifices.

While we have cited the employment effects in the aggregate, we must stress that the textile and apparel industry currently numbers 25% minorities and 65% women in its total employ. These are the groups that would probably be hurt the most by the forecasted flow of imports - people who would be the least capable of sustaining the blow. Statistics just released document that unemployment among women and blacks, for example, reached 8% and 14% respectively in October, 1977. The ability of transferring skills of displaced workers from these industries to high technology industries is highly questionable, even if we assume that jobs would be available in other industries. Furthermore, while the textile and apparel industry is scattered nationwide, the apparel sector tends to be centered in major metropolitan areas while the textile sector is concentrated in rural locations. Current experience shows that it is very difficult to find replacement jobs for people who would be displaced by closings of firms located in these areas.

In broader economic terms, our forecasts show that the textile/apparel trade deficit would grow from approximately $3 billion to over $22 billion assuming a 3 billion pound level of imports. Our industry probably would be in the worst trade deficit position except for oil.

Our forecasts of the adverse consequences on the U.S. economy of continued growth of imports did not stop with determining employment and trade deficit affects. With the assistance of our economic consultants, we have projected the impact of growing imports on a series of key economic variables. The following table which indicates the adverse effects in 1985 on these variables has been developed on the following premises: 1) the base against which the forecasts have been made is a projected growth level of 1.5% in the U.S. domestic market, (the average experienced in the last several years) and growth of imports at the same rate; 2) the 1985 economic variables show the effect against this base if imports continue to grow at their present rate in two situations: a) no tariff reduction for textiles and apparel; and b) tariff reductions of 50% for textiles and apparel.

	NO TARIFF REDUCTION	50% TARIFF REDUCTION
Textile & Apparel Employment	– 384,000	– 592,000
Total Employment	– 1.4MM	– 2.2MM
GNP in '72 dollars (billions)	– 18.8	– 29.0
GNP in '85 dollars (billions)	– 159.4	– 239.0
Industrial Production	– 3.6%	– 5.8%
Textile Production	– 9.7%	– 15.8%
Garment Production	– 19.2%	– 29.7%
Tax Receipts (billions of '85 dollars)	– 34.1	– 50.9
U.S. Corporate Profits (billions of '85 dollars)	– 6.0	– 9.4
U.S. Federal Deficit (billions of '85 dollars)	– 12.5	– 18.9
Capital Expenditures in Textiles - (billions of '85 dollars)	– .4	– .6
Transfer Payments (State & Local) - 1977-1985 (billions of dollars)	– 14.8	– 22.5

What can we do to avoid this dire forecast from coming to pass ?

1. We recommend reducing the allowable rate of import growth so that it parallels the growth of the U.S. domestic market. We do not ask for rollbacks but we do ask for sharing of the U.S. market in a fair way that will redound to the benefit of the U.S. consumer.

2. All trading partners should be brought under a comprehensive system of bilateral agreements that will fairly apportion the overall level of imports among these trading partners and maintain them to equal the growth of the U.S. market.

3. There should be no change in the current tariff structure.

This plan would allow imports to continue to grow and provide opportunity for emerging nations to share in the market growth in the United States without devastating the performance of the United States economy. In the last analysis, if there is not a strong U.S. economy, then there will be no assurance of strong international trade and a stable world.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Industry and Trade
Washington, D.C. 20230

MAR 6 1978

Honorable Charles A. Vanik
Chairman, Subcommittee on Trade
Committee on Ways and Means
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This is in response to your December 22, 1977 letter in which you enclosed a copy of a statement presented to your Subcommittee by Burlington Industries, Inc., entitled "United States Trade Deficit and the Textile Apparel Industry." You asked for our comments on the statement.

As you know, members of my staff have been discussing the Burlington paper with members of your Subcommittee staff. We have delayed our reply to you pending an opportunity to compare the Burlington statement with the study by Data Resources, Inc. (DRI) on which it is based. Enclosed is a staff paper which outlines our progress to date.

We have had one meeting with Burlington representatives, and I hope that, as we continue our analysis and discussions with Burlington staff members, we will be able to determine the reasons for the differences between the assumptions on which Burlington's presentation was based and our own data. I look forward to reporting to you any progress we might achieve.

Sincerely,

(sgd) Robert E. Shepherd

Robert E. Shepherd
Deputy Assistant Secretary for
Domestic Business Development

Enclosure

COMMENTS ON BURLINGTON TESTIMONY BEFORE
HOUSE SUBCOMMITTEE ON TRADE

BASIC ASSUMPTIONS AND COMPARISONS: The Burlington presentation frequently compares, on the one hand, the situation which would arise should the government entirely adopt Burlington's recommendations for textile and MTN policy with, on the other hand, forecasts based on a 50 percent tariff cut in 1978.

As a result of this comparison, Burlington appears to forecast a loss of 600,000 jobs should the government cut tariffs by 50 percent rather than adopt the company's recommendations. A more reasonable estimate would be one based on a comparison of the current tariff situation with jobs lost as a result of a reasonably staged tariff cut. Any MTN tariff cuts will not be implemented until 1980 or 1981 at the earliest, and will be staged over as much as a decade.

METHODOLOGY: The forecast of the industry's future position under current tariffs prepared by DRI for Burlington differs in several respects from DRI's standard long term 1977 forecast of the textile industry prepared for regular subscribers. For example, in its regular forecast, DRI indicated that textile production will increase by 2.7 percent in the 1983-1985 period, while Burlington forecasts a decline of .6 percent in that period. DRI's forecast saw textile employment increase .1 percent from 1983 to 1985, while Burlington's showed a 1 percent decline. The reason for these differences could be that Burlington's findings were not generated entirely within the DRI macroeconomic model, but by other procedures. A table outlining the differences in the DRI and Burlington Case A projections for various time periods is attached.

DOMESTIC MARKET GROWTH: In a meeting with Burlington representatives, the staff sought to determine the reason Burlington's testimony assumed a 1.5 percent annual growth rate in the domestic market when the experience of the 1967 to 1976 period was a 2.9 percent annual rate of market growth. Burlington confirmed that this was their own estimate, and not one which had been derived from the DRI model. They have agreed to discuss further with the staff how they arrived at the 1.5 percent growth rate.

CONTROLLED TRADE GROWTH: The Burlington paper asserts that it assumes a 6 1/4 percent growth rate in imports from quota countries in the absence of a tariff cut. Nevertheless, staff analysis of the growth assumed in the Burlington paper indicates that 8 percent growth was used in all three alternative cases. This compares with an increase between 1972 and 1977 of imports from controlled countries of only 3.8 percent, or an annual growth rate of .7 percent.

UNCONTROLLED TRADE GROWTH: According to Burlington representatives, their analysis was based on a 12.8 percent annual rate of growth for imports from uncontrolled suppliers. Yet, between 1972 and 1977, uncontrolled trade declined at an average annual compound rate of 13 percent as additional suppliers of wool and man-made fiber textiles were brought under control.

SECONDARY JOB LOSS: The staff has not yet been able to determine how Burlington arrived at its estimate that, for every job lost in textiles and apparel, almost 2.5 jobs would be lost in the economy at large. The data compiled by the Bureau of Labor Statistics indicate that each textile and apparel job lost will result in much fewer job losses elsewhere in the economy--on the order of one for one.

EXPORT CONTRIBUTION: The Burlington paper appears to overlook at least one important factor in the health of our textile and apparel industry--exports. United States textile and apparel exports in 1977 were valued at $2.4 billion. The MTN is aimed at reducing not only our own, but foreign tariffs as well. It is reasonable to expect that, as a result of the MTN, U.S. textiles and apparel exports will benefit to some perhaps significant degree. However, the Burlington paper does not discuss the contribution of textile exports to employment and production.

Comparison DRI-Burlington Case A
% Annual Increase/Decrease

Measure	78-80		80-83		83-85	
	Case A	DRI	CaseA	DRI	Case A	DRI
Textile Products	-1.9	5.0	+2.3	1.7	-0.6	2.7
Apparel Products	-2.2	4.5	+0.5	1.6	-2.3	1.7
Textile Employment	-1.8	1.1	+0.0	1.1	-1.0	0.1
Apparel Employment	-1.2	1.8	-0.8	1.3	-2.3	0.5

Burlington Industries, Inc.

Donald R. Hughes
Executive Vice President

Burlington House
1345 Avenue of the Americas
New York, New York 10019
(212) 333 6237

May 30, 1978

Mr. W. Ray Shockley
American Textile Manufacturers Institute, Inc.
1150 Seventeenth Street, N.W.
Washington, D.C. 20036

Dear Ray:

In response to your request for a statement responding to the comments of the Department of Commerce on the Burlington Industries, Inc. presentation to the House Subcommittee on Trade filed November 7, 1977, I am pleased to forward you herewith Burlington's response.

I understand that you will arrange to have this filed with the Subcommittee on Trade by May 31st and that it will become part of the record in the hearings on the Holland-Broyhill bill.

Sincerely yours,

Donald R. Hughes

DRH/c
enc.

RESPONSE OF BURLINGTON INDUSTRIES, INC. TO STATEMENT OF DEPARTMENT OF COMMERCE COMMENTING ON BURLINGTON'S TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON TRADE PRESENTED NOVEMBER 7, 1977

Burlington Industries, Inc. welcomes the opportunity to respond to the comments of the Department of Commerce on the Burlington statement to the Subcommittee on Trade of the House Ways & Means Committee entitled "U.S. Trade Deficit in the Textile/Apparel Industry" dated November 7, 1977. The conclusions presented in the Burlington statement were those that were forecast by Data Resources, Inc. (DRI) in its study for Burlington of the impact of expected import penetration on the U.S. textile and apparel industries and on the U.S. economy as a whole.

In order to effect ease of reference, this response is organized in the same topical manner used by the Department of Commerce.

BASIC ASSUMPTIONS AND COMPARISONS

In its comments under this heading, the Department of Commerce has misconceived the basis on which the forecast loss of 600,000 jobs was developed. The Department of Commerce implies that the Burlington forecast was not related to the current tariff situation. On the contrary, the current tariff situation was a part of the basis of projection of job loss to 1985. This current tariff situation was included in a control set of data which proposed a fair trade approach to the import problem, that is, one in which imports would share in the growth of the domestic market on the same basis of their present control of such market. The Burlington position did not ask for a roll back of imports or a roll back of import's share of the market. It merely proposed a status quo market share as a basis for fair trade in the textile/apparel sector.

The Department of Commerce is correct in its reference to a one-stage tariff cut. Since then, Data Resources, Inc. reworked the study on the basis of staging tariff cuts over a five-year period, the maximum period over which most tariff cuts of textile items would be required under the statute. Based upon this staging, the DRI study again reflects a textile and apparel job loss by 1985 of approximately 600,000.

METHODOLOGY

DOMESTIC MARKET GROWTH

The differences in the standard DRI 1977 forecast for production and employment in the textile and apparel industries from the DRI conclusions which were the basis of the Burlington Industries, Inc. presentation relate to a refined analysis of the potential domestic market growth in the textile and apparel industries which DRI has accepted as a reasonable assessment.

As shown by Exhibit A attached hereto, while the compound growth rate of the U.S. textile industry in the decade from 1967 to 1976 was 2.9%, the most recent 5-year period from 1973 to 1977 showed a negative growth rate of 0.4% on an annual basis. A major factor influencing expanded consumption of textiles is the number of young people who, on entering the employment market, need, and secure, additional funds for clothes. Attached as Exhibit B is a chart showing the United States population growth rate for the calendar years 1960 through 1990. Particular attention is called to the fact that in the period from 1960 to 1975, there was a steady decline of population growth from approximately 1.6% to approximately 0.8%. Those children born in 1960 are reaching their 18th birthday this year and many of them within this 1.6% will become wage-earners and greater users of textile products. As each year passes, fewer and fewer young adults will be entering the employment market and becoming greater users of clothing.

Exhibit C, utilizing Department of Commerce data and DRI forecasts, reflects a declining trend from 1960 through 1985 in expenditures for clothing and shoes as a percentage of disposable personal income.

Based upon the declining population growth and the declining expenditures for clothing and shoes, it would be quite appropriate to forecast the same static market through 1985 as is reflected for the period 1973-1977. Burlington was inclined, however, to be more optimistic and concluded, after consultation with DRI, that a 1-1/2% domestic market growth from now until 1985 is a realistic figure. DRI has accepted this rate as a reasonable assessment of anticipated domestic market growth and incorporated it in its study.

Historical analysis will demonstrate that per capita textile consumption over a 50-year period moves in huge long cycles, periods of rise alternating with periods of decline. During the post-World War II period from 1946 through 1962, consumption suffered a secular decline, followed by a major burst to 1973 (the synthetic boom), only to suffer another decline into 1977. The projection of a 1-1/2% growth rate to 1985 not only does not violate these past patterns but would actually be a welcome improvement over the past five years.

This domestic market growth factor accounts for the differences between the 1977 standard forecast of DRI and the DRI forecast contained in the Burlington Industries, Inc. presentation cited by the Department of Commerce relating to textile and apparel production and textile and apparel employment.

CONTROLLED TRADE GROWTH
UNCONTROLLED TRADE GROWTH

The Department of Commerce has selected for its base period in measuring recent growth of imports the year 1972. During this year negotiations were being conducted for a Multi-Fiber Arrangement. Since the standards for orderly marketing of textiles under a Multi-Fiber Arrangement had already been established in the Cotton Textile Arrangement, exporting nations recognized that the higher their base level of exports to the United States prior to the entry into effect of the Multi-Fiber Arrangement, the higher would be their quota level. Thus, in the period 1971 and 1972 the United States domestic market became a dumping ground for man-made fiber textile manufactures as is illustrated by the table attached hereto, Exhibit D. 1971 and 1972 were years of import distortion, therefore, and the use of either of these years as a base for measuring import growth results in a distorted growth rate.

Using a period free of these influences, i.e. 1974 to 1977, imports from identical controlled countries grew 778 million SYE or 24.5%. This growth amounts to an annual compounded rate of 7.6%.

Commerce refers to a 13% annual decline in trade from uncontrolled countries in the period 1972 to 1977. Again, the use of 1972 involves import levels distorted by heavy imports for the purpose of securing a most favored base from which to negotiate a first quota year level in bilateral agreements. Notwithstanding that distortion, it is inappropriate to compare today's uncontrolled imports with a 1972 nation-mix and restraint-level-mix which was so different, unless it is assumed that more countries will be restrained hereafter. This assumption is not being proposed by the Administration.

The Department of Commerce criticizes the projected import growth levels of the Burlington paper in both the controlled and uncontrolled trade areas but it is respectfully submitted that the overall import growth was not based on any assumption by Burlington or by DRI. Rather, based on DRI's projections in its macro-economic model of United States demand and pricing structures, changing worldwide patterns in pricing, domestic demand in exporting nations, etc., the model concluded that imports would rise as set forth in the conclusions presented by Burlington to the Committee. The only Burlington assumption with respect to imports was that, of the import growth as forecast by the computer, the import levels from controlled countries might rise by approximately 6-1/4% per annum leaving the balance attributable to uncontrolled countries. To this extent, Burlington was probably too conservative because, although quotas may be limited to approximately 6-1/4% growth per annum, shipments are certainly not so limited when there is any overhang.

Witness the fact that, although the Administration has repeatedly stated there will be no growth from 1977 to 1978, this limitation of no growth applied only to quotas and not to imports. In the first three months of 1978, the United States imports of textiles and apparel have risen by 30% over the corresponding period in 1977.

SECONDARY JOB LOSS

Data Resources, Inc. supports without qualification the secondary job loss of 2-1/2 jobs for each 1 job lost in the textile/apparel industry since it takes into consideration not only the jobs of suppliers but also the ripple effect in the economies of the communities where the displaced textile/apparel worker lived and where the employee of the supplier lived, as well as the extended ripple effect throughout the whole economy. DRI continues to support this secondary job loss.

EXPORT CONTRIBUTION

It is conceded that there was not built into the DRI study an expansion of textile and apparel exports as a potential result of the Tokyo Round for the simple reason that Burlington and DRI do not envisage any such result. Any tariffs which bar entry of U.S. textile manufactures into a foreign market are so high as to constitute an embargo (for example, tariff levels up to 200 or 300% in some of the Central and South American areas). If these tariffs were lowered, even substantially, since the countries which presently maintain such tariff levels intend to embargo imports, they would quickly replace the reduced tariff by a non-tariff measure such as a required license, red tape for which would delay its issuance, inordinately severe inspection procedures, or other measures which would effectively bar U.S. textiles and apparel from such markets.

In addition to an indirect embargo by exorbitantly high tariffs, most trade restraints involve non-tariff measures. By way of example, Korea either bars the importation of textiles and apparel products which compete with the domestic industry or requires a license -- and the license must be approved by the domestic manufacturers. Is it concievable to expect Korea to grant any kind of a concession in such non-tariff measures when Korea needs no concession from the United States in order to ship its products into the United States?

Insofar as developed areas are concerned, the Rules of Origin of the European Economic Community which have been in effect since 1973 were unilaterally adopted by the EEC and serve as a very effective barrier to any substantial exports of United States textile raw materials into the Common Market or into the countries of the European Free Trade Association. These Rules require that, before a textile or apparel product is considered to have originated in the European Economic Community or in a country of the European Free Trade Association and thus be entitled to duty free movement between an EFTA country and the Community or between EFTA countries, the product must have gone through two manufacturing processes. This requirement for textiles is twice the requirement for almost all other products which require only one process before they are considered to have originated in the exporting area.

Italy, finding itself with more textile products coming in than it was willing to take, has established a requirement that each piece of fabric must be examined for fiber content and, having determined it did not have sufficient examiners to cover all ports, Italy has limited textile imports originally to six ports (4 of them inland) and more recently to eight or so.

These are but examples of non-tariff measures which hamper U.S. international trade in textiles. The Rules of Origin and the Italian examination procedures are particularly significant in this discussion of export potential because, even if, in the Tokyo Round, the U.S. is successful in negotiating freer access to export markets, they reflect the kinds of action that may thereafter be taken unilaterally by the U.S. trading partners to restrain imports from the United States.

Non-tariff measures are limited only by man's imagination. The Department of Commerce has published a volume entitled Foreign Regulations Affecting U.S. Textile/Apparel Exports. This volume sets forth the various restrictions of all countries of the world against imports of textiles and apparel other than mere tariff rates - and the current volume is 272 pages.

Even though Burlington cannot conceive any significant opening of export markets for textiles and apparel in the Tokyo Round, since receiving a copy of the Department of Commerce comments, it requested DRI to re-evaluate the job impact if exports should be expanded.

DRI has advised that, to compensate for the loss of jobs through imports, exports would have to increase in the range of 300%.

CONCLUSIONS

Textile and apparel jobs are at stake. The current level of imports already accounts for the loss of hundreds of thousands of direct jobs. This situation will worsen under the present program in the years to come. Should the job loss and the detriment to the U.S. economy be further aggravated as a result of duty cuts? Can the economy tolerate the displacement of more minorities and females - the very groups which the Administration aims to absorb within the working economy? Should the Administration permit the loss of 600,000 more textile/apparel jobs with the consequent ripple effect bringing potential job loss to approximately 2 million jobs?

Burlington submits -- NO.

5/26/78

EXHIBIT A

CHANGING GROWTH PATTERNS OF THE U.S. TEXTILE INDUSTRY

- In the Decade 1967 – 1976:

  1967 = 9.4 Billion lbs. vs. 1976 = 12.1 Billion lbs. . . .

  a compound growth rate of +2.9%

- In the most recent 5 years 1973 — 1977:

  1973 = 12.9 Billion lbs. vs. 1977 = 12.7 Billion lbs. . . .

  a compound growth rate of --0.4%

EXHIBIT B

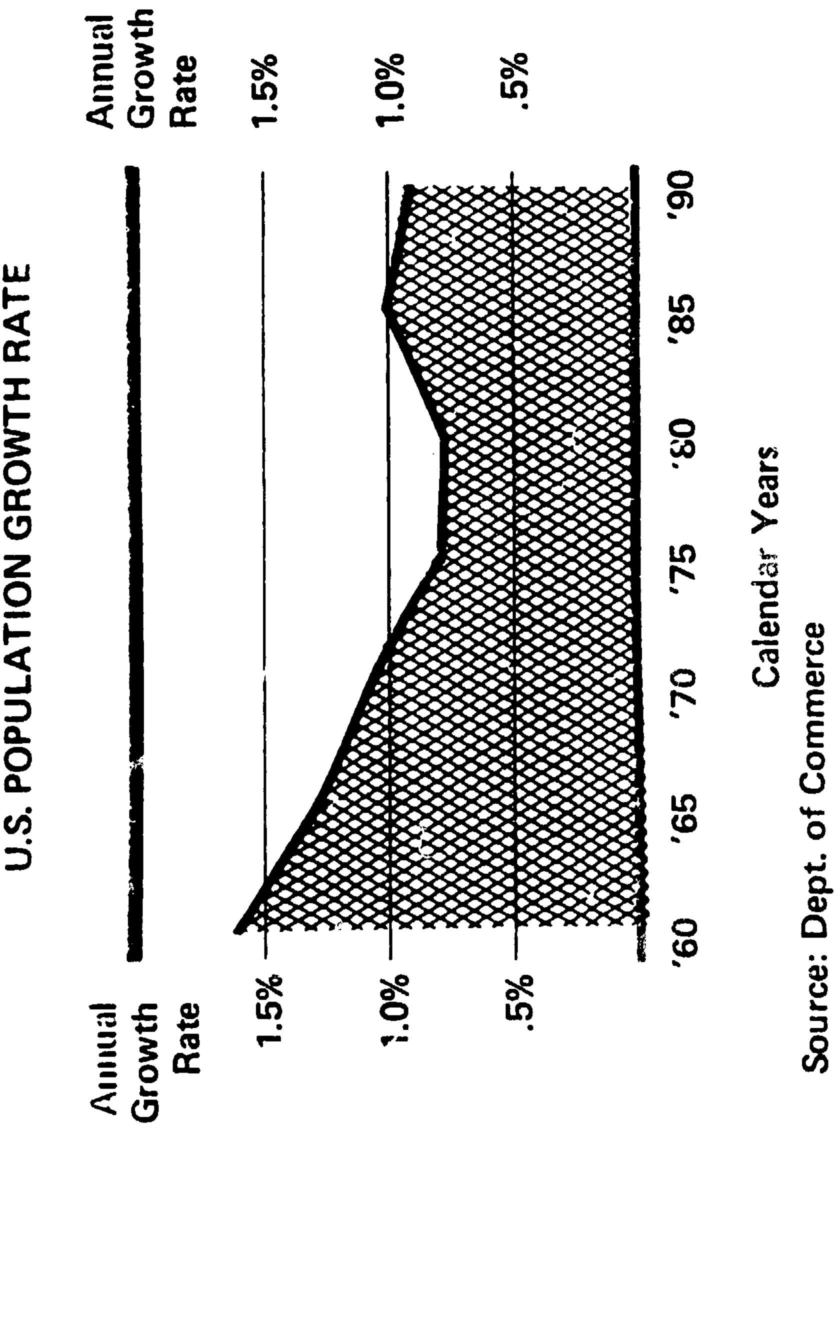
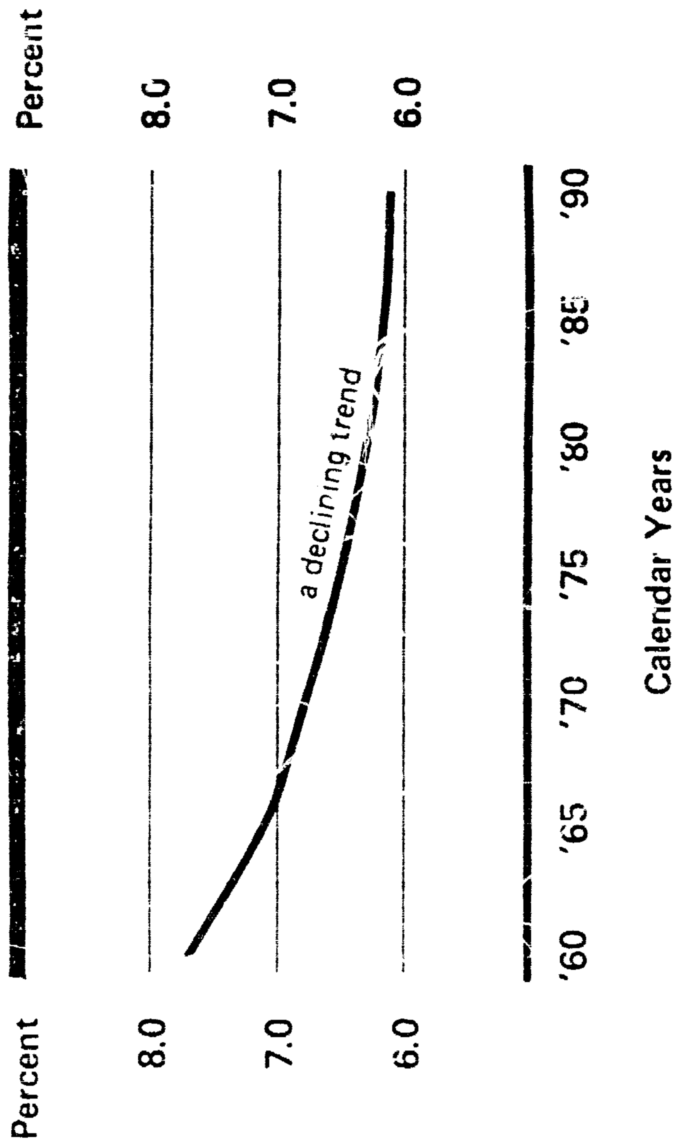

U.S. POPULATION GROWTH RATE
Annual Growth Rate
1.5%
1.0%
.5%
'60
'65
'70
'75
'80
'85
'90
Calendar Years
Source: Dept. of Commerce

EXHIBIT C

EXPENDITURES FOR CLOTHING AND SHOES
AS A PERCENTAGE OF DISPOSABLE PERSONAL INCOME

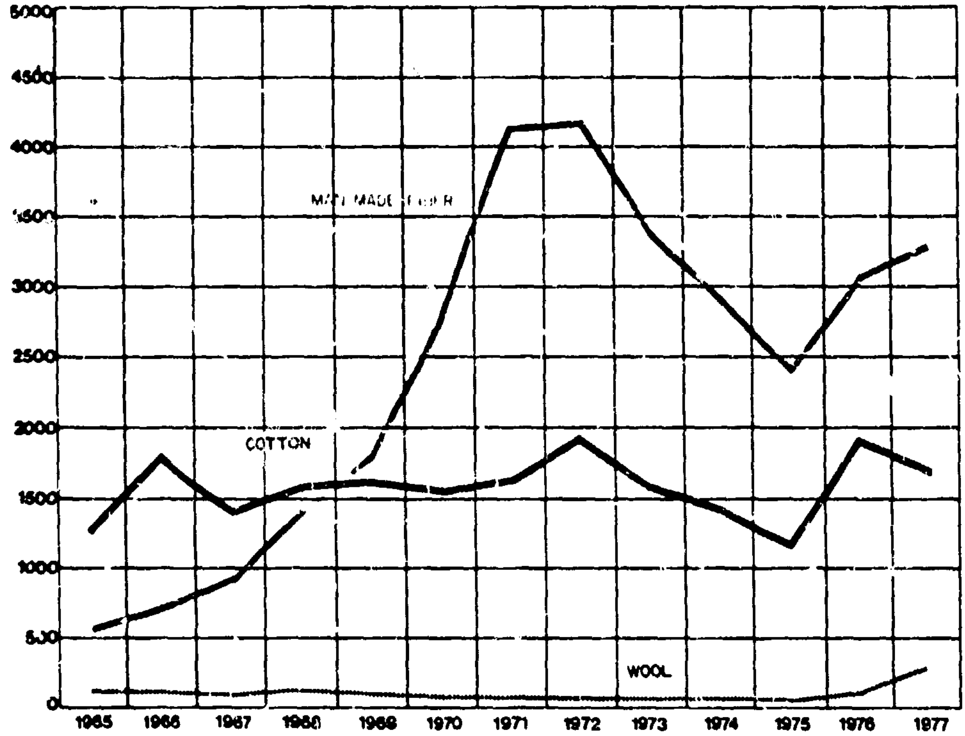


Source: Dept. of Commerce, DRI Forecast

EXHIBIT D

U.S. IMPORTS OF TEXTILE MANUFACTURES

(millions of equivalent square yards)



PERIOD	COTTON	MAN-MADE FIBER[1]	WOOL[2]	TOTAL[2]
196-	1,076	328	138	1,524
1965	1,313	566	212	2,090
1966	1,824	798	204	2,826
1967	1,485	934	167	2,586
1968	1,648	1,453	210	3,311
1969	1,652	1,783	192	3,626
1970	1,537	2,760	170	4,466
1971	1,611	4,229	117	5,957
1972	1,924	4,275	117	6,317
1973	1,593	3,433	99	5,125
1974	1,463	2,862	86	4,410
1975	1,281	2,470	78	3,829
1976	1,957	3,076	106	5,139
1977	1,676	3,348	[illegible]	5,160

[1]U.S. Department of Commerce conversion factors used to convert units to square yard equivalents. [2]Wool floor coverings included from 1962-1973. SOURCE: U.S. Department of Commerce.

The following colloquy with Ambassador Strauss was ordered printed by subsequent unanimous consent:

[Excerpt from the Multilateral Trade Negotiations hearing, July 18, 1978]

Mr. HOLLAND. Thank you, Mr. Chairman.

Mr. Ambassador, I am cautiously encouraged by your statement. I have read it over about three times, and I appreciate your efforts and the efforts of all those who work with you in this very difficult area.

I note Mr. Steiger is interested in dairy products, and Mr. Vanik is interested in steel, and Mr. Burke is interested in footwear, and I am interested, as you know, in textiles and wearing apparel.

The information we were given a short time ago—and I believe it's contained in a letter that your wrote to the textile apparel group here in Washington--which sets forth a statement that the offers to reduce tariffs in this area were based upon receiving reciprocal concessions for U.S. products including textiles. And that if reciprocity was not forthcoming, these offers would be modified or withdrawn.

As you know, we had a hearing in this subcommittee last week on the bill H.R. 10853 limiting your ability or attempting to do that, to reduce textile and apparel tariffs.

I would ask the question of just what reciprocity we have witnessed from our trading partners in this delicate and admittedly limited area of the negotiations?

Ambassador STRAUSS. Let me answer that very directly. We expect to have full reciprocity for anything in textiles or anything else, Congressman, and we don't expect to trade off one industry for another or one sector for another. And we have no final offer on textiles.

The balancing process will continue to the very last moment.

I think this government has represented, and this administration has represented, the textile industry as well, if not better than, it has ever been represented before. I take great pride in what we have done. That doesn't mean we don't have some serious problems to which we continue to pay attention. That is, we recognize problems are there.

In the area, for example—I don't know what we can do, I don't want to give you any assurance, false assurance that is less than candid, but in the area of rules of origin, that alone could be a major, major area if we could make progress for textiles there.

That doesn't mean that we can. It means we are going to try to. There's nothing I place more emphasis on than that.

As we balance out any concessions or lack of concessions, it seems like that will be taken into consideration and discussed in detail with the members of this committee.

Mr. HOLLAND. Are you satisfied with the present level of reciprocity in this particular area?

Ambassador STRAUSS. I am not.

Mr. HOLLAND. Do you plan in the near future to begin modification or withdrawal of our own offers?

Ambassador STRAUSS. I have no plans, Congressman, and I am sure that you understand that the one thing I cannot do is negotiate on a microphone with the press of the world standing behind me. I couldn't represent you or your constituents; you wouldn't want me to do that.

The only thing I can say to you, I hired out to do this job, and I will do it to the best of my ability. I am not a damn fool; I think I know balance when I see it, and I know political reality. I will not drop a baby on your doorstep and say, "Take care of it, we have given birth to it." I would hope that you might be a midwife or something in that process, and we will be working with this committee closely.

Mr. HOLLAND. Mr. Ambassador, I don't have the medical license, or midwifery license, but——

Ambassador STRAUSS. I don't think midwifery requires a license. I think it just requires experience, Congressman.

Mr. HOLLAND. It seems we have an industrial complex in this country that has suffered a great amount of joblessness; it's now reluctant to grow or even in many areas of this country to maintain present industrial facilities and job opportunities.

And, without criticism of you or the trade negotiations efforts you have made, for which I commend you, it seems to me that this continuing uncertainty that we have is causing great damage.

I was told in this committee that the tariff situation—first of all, that textile and apparel only constitute about 10 percent of our concern there, and that it appears to me, calculating this proposed tariff reduction situation, that this is an infinitely small part of our overall concern, which I share with you, for a fair trade atmosphere on this Earth.

But we have, if I might again express the concern of a lot of people in Congress, an industry with a lot of jobs that is suffering simply because of the uncertainty that surrounds this whole thing.

I don't push my legislation to seek a confrontation with the administration. After all, I am a supporter of the administration. But I just ask you if it is not possible for you to consider withdrawals very soon in order that we will know what this industry will have to confront and maybe get it to grow and maybe stop it from laying off people all over this country who look to it for job opportunities.

Ambassador STRAUSS. Congressman Holland, I don't think there is anything that is more important to business than our ability, those of us in the executive and those of you in the legislative branch, to give them certainty. I certainly share that with you. I think they do have difficulty when a negotiation is going on because of the lack of certainty, and you are exactly right.

Let me tell you what we have tried to do. We have not had a textile negotiation in any nation with any country in the world that we have not had industry and labor advisers along with us. Now, they can't legally go into the negotiating room, but we brief them every morning and every noon and every night as to where we are going so they can be as closely involved as is possible. This has not been done in the past.

We have really formed a partnership with them as we negotiate.

While it is a difficult problem, this whole textile area is.

As you know, Congressman Holland, these are not statistics to me; I have campaigned through those mills and those plants, and I know those people, and they are my friends, and they have been my constituents, and they are human beings, and the jobs of human beings are involved.

I also know those companies, both labor leaders and industrial leaders.

So it is not a stranger to me, this problem.

I don't have all the answers. We are just doing the best we can every day, and we are going to try to come up with good balance. It is just not a one-way street.

Let me also say this to you, I may have said this before; I may not have. But you will find, if you look at that textile industry, that some, several of the loudest complainers about what we are permitting to happen with respect to imports into this country, several of them are also major importers, but they import what they want to bring in; they want to stop imports on what they don't want in.

I don't blame them for that. I would do the same thing if I was running a concern. But it is a terribly difficult and complex problem.

What we also hope to do, and what means a great deal to many of them, that gets very little attention, we have to strike a balance, as you know, between our buying public and our industry, and we are trying to do that.

One of the things I hope we can do out of this and one of the major things will be not so much to restrict imports into our country but to expand our export markets and open markets for our textiles and, if we do that, we are on the right road to solving this thing.

It just isn't one easy answer, and you know as much or more, about this problem, as anyone I know, and I hope I have answered your question properly.

Mr. HOLLAND. Yes, sir. Thank you.

Mr. Chairman, I have a whole series of questions. I know the Ambassador is getting a little weary this time of day. I would like to ask unanimous consent that I might have the opportunity to submit them and have the answers included in the record.

Mr. VANIK. Without objection, your questions will be submitted and the answers made a part of the record.

[The questions and answers follow:]

1. The Ministerial Declaration of July 13 that came out of the MTN seems to be putting a good face on the progress made to date in these negotiations. I have some specific questions or points of concern to me and my constituents:

a. Has the U.S. already agreed to an injury findings before a countervailing duty is imposed?

S: Nothing has been finally agreed in the subsidy-countervail negotiations, but the U.S. has said that, in the context of a satisfactory agreement on subsidies, the Executive Branch would ask Congress to incorporate an injury test in domestic law. As I noted, we are considering one which would not compromise our right or ability to take prompt and effective countermeasures.

b. Has the U.S. already agreed not to require developing countries to do away with their subsidies, but to phase them out?

S: Again, nothing has been finally agreed, least of all on the question of special and differential treatment for developing countries. However, in the discussions which have been held to date with key developing countries, the U.S. has said it would expect developing countries participating in a subsidy agreement to agree to a standstill on export subsidies; to eliminate export subsidies on sensitive products; and to phase out other export subsidies over a reasonable period of time.

c. Are you planning to ask Congress for an extension of the countervailing duty waiver authority that expires January 3, 1979?

S: Again, as I said earlier, in response to Mr. Steiger, no final decision has been reached with respect to the extension of the waiver, but a decision must be taken shortly in close consultation with the Committees on Ways and Means and Finance.

d. Has the U.S. already agreed that in government procurement of, say, uniforms and other clothing the "Buy America" and similar provisions in the Defense Department Appropriations Act would no longer apply?

S: No. In fact, we have made it quite clear that we would not even entertain such a request unless we were offered sufficient quid pro quo reciprocity. Negotiations over "coverage" of a Government Procurement code -- that is, what products would be subject to its provisions -- have remained particularly thorny. These discussions have not revealed willingness by our trading partners to offer such reciprocity on these items.

e. Has the U.S. already agreed that developing countries need not give the U.S. equal access to their government procurement procedures?

S: No. Negotiations on "special and differential treatment" for developing countries have not progressed to the point of deciding specific "S & D" in this code. The question at issue here is currently one of definition of a government purchasing "entity."

f. Has the U.S. already agreed to cut tariffs on textiles and apparel?

S: The United States has not finally agreed to cut tariffs on textiles and apparel or, for that matter, on any other products. As I noted earlier, agreement on tariffs will most likely be one of the last elements concluded in the trade package.

g. Minister Smith told the Subcommittee on July 10 that U.S. tariff offers would involve overall cuts of 25.5%. Was that offer reduced and, if so, to what extent?

S: In the last few weeks leading up to the July 13 declaration we made significant progress in many aspects of the negotiations as I outlined earlier. However, we have yet to negotiate further on tariffs.

h. Have Japan and the developing countries made tariff offers on textiles and apparel comparable to those made by the U.S.?

S: Due to the confidential nature of the offers made In Geneva, I cannot go into details. However, I have stated that I am not satisfied with other countries' offers to date. If I were, we would have settled. We did not, because there is not yet adequate reciprocity. We are going back to Geneva and work at it until there is agreement.

i. Has the U.S. made its textile and apparel tariff offers conditional through a "snap-back"? What is the nature of the "snap-back"?

S: In its initial offer the United States made the textile and apparel offer contingent on the maintenance of a satisfactory international arrangement for textiles. We did not go into greater detail at that time because it was premature to do so. We are actively looking at the "snap-backs" that are possible. We have not moved at this point on tariffs from our intial offer, so we have, therefore, not further advanced the conditionality of our offer.

2. How do you account for the fact that textile and apparel imports rose 28 percent in the first five months of 1978 above the same level of 1977 when you negotiated new bilateral agreements with Korea, Taiwan, and Hong Kong that provided for zero growth in controlled items for 1978?

S: The increase in imports in the first five months of 1978 is due to a variety of reasons. We experienced a dock strike. Also under the new agreements we prohibited carryover of unused quota under the old agreements from being applied to the new agreements. As a result, exporters shipped in very heavy quantities in the last part of 1977. These goods entered customs in 1978. Our initial analysis indicates an unusually high percentage of trade shipped in 1977 entering customs in 1978. The increase also is due to an improved domestic market. Domestic shipments in the first 5 months of 1978 are also up over the first five months of 1977. We are carefully studying the composition of imports. I don't have all the answers. I am not trying to rationalize or explain away the increase, but at the same time, it is unfair to say that there were not unusual circumstances that should be taken into account when analyzing the growth in imports.

3. The Administration seems to be doing its best to consider the textile and apparel sectors as separate and distinct. How long do you think the apparel industry will remain viable if there is no longer a healthy domestic textile industry and garment manufacturers are at the mercy of foreign textile suppliers?

S. The Administration recognizes the obvious linkage between the textile and apparel sectors, but also notes some significant differences. For example, the apparel sector has experienced greater growth in imports, has substantially higher impact to production ratios than the mill sector and the trade balance for apparel is in substantial deficit while the mill sector has been experiencing a slight surplus in the balance of trade. Further, the major market for U.S. mill products is the U.S. apparel industry. If this market is eroded, it will adversely impact the mill sector. The Administration's view is not to separate the two sectors but to take into account their differences. In this way we can more accurately meet the needs of the industry.

4. How can you justify no tariff cuts for four industries while have import relief through the escape clause of the Trade Act and tariff cuts for the textile and apparel industry which received the same type of import relief through the authority of the Agricultural Act of 1956?

S. There are significant differences regarding the purpose and requirements for import relief under the escape clause of the Trade Act and the Multifiber Arrangement, where our domestic authority is the Agricultural Act of 1956. At the hearings on July 10, Michael Smith went into these differences in significant detail. His comments accurately reflect the Administration's view on this subject.

"These differences include: rate of growth in imports; import to consumption ratios; trade balances; duration of relief; injury vs. threat of market disruption criteria for relief and product specific vs. comprehensive application of relief.

"In comparing textiles and apparel with other mandatory exceptions, it should be noted that items granted relief under other provisions of the Trade Act can expect that this relief will be temporary, to be used as an aid to adjustment to competition, whereas the textile industry has enjoyed protection for 16 years. The most recently renewed MFA is under study already for another renewal when it expires in three-and-one-half years, and the major bilaterals just renegotiated have five year terms beginning January 1, 1978. We expect these bilaterals will continue even after then.

"Further, other excepted items have had to show substantial serious injury or the threat thereof; the MFA and bilaterals under it are based only on the less-onerous test of market disruption or the threat thereof. Finally, the other statutory exceptions are product-specific in nature, while HR 10853 would exempt an entire industrial sector."

5. The Administration says the textile and apparel industry lost "only" 76,400 jobs since 1966. June 1978 figures show that 200,00 textile and apparel workers were out of jobs and another 165,000 were on short-time. Whether it's 76,000 or 200,000 jobs, in just simple human terms how can you, the Administration, cavalierly write off these jobs?

S. To begin with, this Administration does not, I repeat, not write off jobs. The bilateral textile agreements negotiated during this Administration are more responsive to the needs of industry than any previously negotiated agreements. We are also exploring other means of assistance to the textile and apparel industry. The purpose of the Trade Act is to foster economic growth and full employment in the United States through open and equitable trade. The United States has made progress toward meeting these objectives in the MTN. We will, as we have repeatedly stated, seek full reciprocity from our trading partners, before concluding the final package.

6. As I understand several economic studies that have been done, even with substantial tariff liberalization in other industry areas, the inclusion of the textile sector in tariff liberalization will still result in a substantial net loss in employment and an increase in the trade deficit. Doesn't this indicate that the U.S. will gain nothing from tariff cuts in textiles and apparel?

S. The conclusions for economic studies largely depend on the assumptions that are made regarding the variables. Without seeing the actual studies, it is difficult to comment. For example, there is a study done for Burlington Industries that indicates textile tariffs would cause a serious adverse impact on the industry. I have also seen a study by William Cline of the Brookings Institute that indicates that a 50% tariff cut would have a minimal effect on the industry. In most foreign countries non-tariff measures are a more significant obstacle to trade than tariffs. We recognize this and are making considerable efforts to liberalize foreign non-tariff measures, such as the EC/EFTA rules of origin. Progress in this area would be of considerable benefit to U.S. textile exports.

7. Just last week we heard testimony from the U.S. retailers to the effect that tariff cuts would not, in fact, result in any reduction in prices to the consumer. If the consumer will not benefit, if U.S. workers, on balance, will not benefit, and if the trade deficit will be increased, who, then, will benefit from the major tariff reductions in the textile sector?

S. This particular area is one obviously that merits further study. While it would be much appreciated by the consumer if there were a reduction in prices, the consumer also would, at this point, be satisfied with lower growth rates in price of textiles and apparel. The growth rate in prices for textiles and apparel is well below the average growth rate for industrial products. This is no doubt due to a variety of reasons. Competition from imports most probably is one of them. If so, then the modest tariff offers we have put forward will serve to dampen inflation and thereby benefit the consumer and at the same time they should not cause a spurt in imports.

8. If it is true, as I am led to believe, that a constantly worsening trade deficit, particularly one of the magnitude of the U.S., leads to a weakening of the dollar and that a weakening dollar causes inflationary pressure by making imports cost more, won't the trade deficit resulting from tariff cuts in textiles and apparel be inflationary?

S. Text book economics do indicate that worsening deficits do tend to weaken the deficit countries exchange rate vis a vis other countries, all other things being held equal. If unilateral reduction in U.S. textile tariffs were the only thing being considered in the MTN, your question would appear logically correct. In this instance all other things are not being held equal. One of the big reasons why we are pushing the MTN vigorously is to gain greater access into foreign markets. In this way we will be able to reduce the deficit in our overall balance of trade. The result will be to create more jobs for Americans at the same time offering a wider selection of products to the consumer at as low a price as possible. The results of the MTN should dampen the recent trend in prices.

11. In 1977 and thus far in 1978, the levels of imports of textile and apparel products have accelerated at a frightening pace, with a corresponding skyrocketing of the textile and apparel trade deficit. This deterioration has clearly taken even the Office of Textiles of the U.S. Department of Commerce by surprise and has occurred despite the current tariff levels and the renewal of the MFA and many bilateral agreements.

Would it not be fair to say that the substantial tariff reductions offered by the U.S. on textiles and apparel will further pull the rug out from under the already weak MFA, and aggravate an already bad situation?

S. I would like to point out that while imports are up, they are still below 1972 levels. Of greater importance to the Administration than the dollar value or quantity of imports, however, is what is the situation in the U.S. domestic market. What is happening to the American worker? Textile Hi-Lights, a publication of the American Textile Manufacturers Institute, Inc., indicates textile demand is strong, earnings are improving and employment increased 9% for year ending January 1978 over the preceeding twelve months period. The modest tariff proposal we are suggesting will not adversely affect this trend.

12. Why does the Administration make such a big deal about the MFA and the new, tougher bilaterals which have just been negotiated and then vitiate that effort by making the textile sector a major U.S. tariff sacrifice in Geneva?

S. I would like to emphasize again that the U.S. has not to date and will not make a major U.S. textile tariff sacrifice in Geneva. 50% of our initial tariff exceptions from called for reductions involved textile and apparel. While a 60% reduction was called for the United States reduced the average textile and apparel duty only 25.5 percent, less than half of what was called for. There will be further downward adjustments in that offer. I will not, as stated before, settle for anything less than full reciprocity from our trading partners. Our initial offer does not in my mind vitiate the progress we have made in securing tougher bilaterals. I am certain that the final agreement will further substantiate this view.

Mr. HOLLAND. Also, as you recall, Mr. Chairman, we had hearings last Monday on H.R. 10853, and I would ask unanimous consent that the transcript of today's proceedings be included as a part of the transcript on that formal hearing held last Monday.

Mr. VANIK. You mean the entire hearing on this?

They will be printed separately.

Mr. HOLLAND. I am asking unanimous consent to include it by reference into that hearing concerning that particular bill because it does have a definite bearing on the committee action.

Mr. VANIK. I have no objection for just your line of questioning here to be incorporated in the hearing that we had, but not the entire proceedings.

Mr. HOLLAND. Including the questions I submit in writing.

Mr. VANIK. Yes, that is correct.

Mr. HOLLAND. Again, I can't emphasize enough my pleasure at your efforts. But you know it is a game many of us cannot afford to lose, if it is a game at all. I do thank you for your understanding.

There is one other point that concerns me You did refer in your written statement to a consumer choice in our markets which I support you in. But we have established, Mr. Ambassador, pretty much to everybody's satisfaction that the consumers of this country are not receiving a huge amount of benefit at the marketplace which has been one of the overriding arguments surrounding this question.

I think you would be interested in seeing perhaps some of the testimony and some of the cross-examination, if you will, concerning that testimony on just what the consumers are not receiving by way of a choice in price at least, at the marketplace.

I would like very much to send that to you, if I may.

Ambassador STRAUSS. That was true when I first took this job; I found that in the shoe industry when I got into it. I found that lower priced exports coming in here didn't always mean they reached the consumer any lower priced than those produced domestically. And it is a very legitimate concern.

Mr. HOLLAND. Right, sir.

And again I thank you on behalf of the textile and apparel industry for your efforts, and we want to be helpful. We want to provide you with information that will protect this industry and these jobs because I think as our No. 1 negotiator on inflation, too, that you are aware of the problems that we have in that end and impact on this industry.

Ambassador STRAUSS. Thank you, sir.

Mr. HOLLAND. So thank you again on behalf of myself and all my constituents, those people in the textile-apparel area who do have some concerns, but I think who support you in what is reasonable and what is supportable.

Ambassador STRAUSS. Thank you, sir.

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